

# **State of Nebraska**

## **Comprehensive Annual Financial Report**

### **Year Ended June 30, 2003**



**Mike Johanns**

*Governor*

**Department of Administrative Services**

**Lori McClurg**

*Director*

**Paul Carlson**

*State Accounting Administrator*

**Cover:** Smith Falls at Smith Falls State Park in Cherry County, northern Nebraska.

June 15, 2004

Members of the Legislature  
Citizens of the State of Nebraska

It is my pleasure to submit Nebraska's Comprehensive Annual Financial Report for fiscal year 2003.

This report is an important part of our efforts to provide accurate financial reporting to ensure proper handling of taxpayers' money. It provides a complete picture of the State's financial status and is an excellent means of meeting our continuing disclosure responsibilities in accordance with national governmental reporting standards.

Our ability to manage our fiscal affairs is demonstrated by the unqualified audit opinion that follows. I am also proud that the 2002 report submitted to the Government Finance Officers Association was, for the twelfth consecutive year, awarded the prestigious Certificate of Achievement for Excellence in Financial Reporting. I am confident the 2003 report will also receive this distinction.

I would like to thank the Department of Administrative Services for its commitment in dealing with the complex accounting issues involved in preparing this report, as well as all the state agencies for their cooperation in gathering the necessary information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mike Johanns', with a stylized, flowing script.

Mike Johanns  
Governor

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2003

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# INTRODUCTORY SECTION

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# SELECTED STATE OFFICIALS

As of June 30, 2003

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## EXECUTIVE

**Mike Johanns**

Governor

**David Heineman**

Lieutenant Governor

**Jon Bruning**

Attorney General

**Kate Witek**

Auditor of Public Accounts

**John A. Gale**

Secretary of State

**Lorelee Byrd**

State Treasurer

## JUDICIAL

**Supreme Court of Nebraska**

John V. Hendry, Chief Justice

William M. Connolly, Justice

John M. Gerrard, Justice

Michael McCormack, Justice

Lindsey Miller-Lerman, Justice

Kenneth C. Stephan, Justice

John F Wright, Justice

## LEGISLATIVE

**Curt Bromm**

Speaker of the Legislature

Nebraska Unicameral (49 Senators)

June 14, 2004

The Honorable Mike Johanns, Governor  
Members of the Legislature  
Citizens of the State of Nebraska

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska (the "State") for the fiscal year ended June 30, 2003. This report is the primary means of reporting the State government's financial activities. The State of Nebraska's financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP). The independent auditor's report is presented as the first component of the financial section of this report. The CAFR has been prepared in conformance with Governmental Accounting Standards Board (GASB) statements 34 and 35, and other related statements. This reporting model's objective is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

The independent audit of the financial statements of the State was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the State's separately issued Single Audit Report.

The CAFR is presented in three sections. (1) The Introductory Section contains this letter of transmittal and some information about the State and its operations. (2) The Financial Section contains Management's Discussion and Analysis, Government Wide Financial Statements, Fund Financial Statements for Governmental Funds, Proprietary Funds, Fiduciary Funds, and Combining Statements for Major Component Units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information and various combining statements. (3) The Statistical Section contains selected financial and demographic information, generally presented on a multi-year basis.

The CAFR consists of management's representations concerning the finances of the State of Nebraska. The State Accounting Division of the Department of Administrative Services assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with GAAP for governments. Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

The State was admitted to the Union as the thirty-seventh state in 1867. Nebraska's government is divided into three branches: legislative, executive and judicial. Nebraska is the only state with a Unicameral Legislature, which has 49 non-partisan members. The chief executive is the governor, who is elected for a four-year term. Within the executive branch are various departments and agencies that perform a variety of functions. Since Nebraska's Constitution generally allows no indebtedness, government expenses of such departments and agencies must be met on a pay-as-you-go basis. The State provides a full range of services including: the construction and maintenance of highways and infrastructure, education, social and health services, public safety, conservation of natural resources, economic development, and recreation facilities and development. An organizational chart of the State is shown on Page 10.

The State reporting entity reflected in this CAFR is described more fully in Note 1.B. to the financial statements. It should be noted that the reporting entity includes the familiar government activities plus two component units, the University of Nebraska and the State College System.

Budgetary control of state expenditures is maintained chiefly by three processes. First, a budget is required to be adopted through passage of appropriation bills by the Legislature. Second, the appropriated funds are allocated by program and fund type and are controlled by the executive branch through an allotment process. The Legislature may also enact a supplemental appropriation bill and other appropriation bills as it deems necessary. Finally, the State's accounting system is designed to budget check each expenditure to ensure the appropriation is not exceeded.

Budget-to-actual comparisons are provided in this CAFR for various categories of General Fund revenues and appropriated annual budgets. This comparison is presented on page 66 as part of the Required Supplementary Information to the basic financial statements for the governmental funds. Budget-to-actual comparisons for Cash Funds, Construction Funds, Federal Funds, and Revolving Funds are also presented as Required Supplementary Information on pages 67 through 70.

## FACTORS AFFECTING FINANCIAL CONDITION

In order to better understand the information presented in the basic financial statements, such information should be considered from the broader perspective of the specific environment within which the State operates.

### *Current Revenue Outlook*

The General Fund operations of the State are almost entirely dependent upon the income and sales taxes the State receives each year. Such taxes represent over 92 percent of all General Fund revenues. Thus, it necessarily follows that funds available for expenditures are heavily dependent upon those taxes. As the national economy wavered in 2001-2002, especially with the loss of jobs, declining investment income and stock market losses, and lack of consumer confidence, net revenue from all income taxes and sales taxes declined over \$90 million in fiscal year ending June 30, 2002 when compared to the prior year. The same revenue for the fiscal year ended June 30, 2003 increased \$84 million over 2002, due to an increased sales tax base and a sales tax rate increase to offset income tax revenue which declined another \$26 million.

The State has seen a marked improvement in revenues during the fiscal year ending June 30, 2004 and anticipates net tax revenue will exceed the prior year by approximately \$250 million. For the fiscal year ending June 30, 2004, the State is confident the General Fund will end the fiscal year with a positive cash balance without borrowing from the Cash Reserve Fund. In finalizing the biennium budget for the fiscal years ending June 30, 2004 and June 30, 2005, the Legislature, as required by the State Constitution, found solutions to balance such budget.

### *State Economy*

The Bureau of Business Research of the University of Nebraska-Lincoln together with the Nebraska Business Forecast Council are cautiously optimistic on Nebraska's economic future. Total net taxable retail sales growth should receive a boost from the recent broadening of the sales tax base, but will end the forecast period in the four percent area.

	ACTUAL				PROJECTED		
	2000	2001	2002	2003	2004	2005	2006
<b>Nonfarm Equipment:</b>							
Annual Totals	908,400	913,200	905,700	903,800	912,819	916,176	941,510
Growth Rates	1.80%	0.50%	-0.80%	-0.20%	1.00%	1.50%	1.70%
<b>Nonfarm Personal Income:</b>							
Annual Totals (in millions \$)	46,366	47,929	49,532	51,502	53,953	56,753	59,877
Growth Rates	6.20%	3.40%	3.30%	4.00%	4.80%	5.20%	5.50%
<b>Net Taxable Retail Sales</b>							
<b>Growth Rates:</b>							
Total	3.20%	3.00%	1.80%	3.10%	5.50%	3.90%	3.80%
Motor Vehicle Sales	3.40%	11.20%	1.00%	-1.10%	1.00%	3.50%	4.00%
Non-motor Vehicles Sales	3.20%	1.80%	1.90%	3.80%	6.20%	3.90%	3.70%

### ***Cash Management***

All cash is required to be deposited in the State Treasury. With the assistance of the State Investment Officer, the State Treasurer invests all cash in the Operating Investment Pool (OIP). This pool is comprised of some short-term investments and many medium-term investments. The OIP is reflected as cash and investments on the State's financial statements. Interest earnings are credited on a monthly basis to each fund that the Legislature has designated as eligible to earn interest. All interest earnings not credited to other funds are deposited in the General Fund.

At June 30, 2003, there was \$1.3 billion invested in the OIP. This was invested as follows: 25 percent in government securities; 32 percent in corporate bonds; 34 percent in Federal agencies; 6 percent in time deposits; and 3 percent in money market funds and other. For the fiscal year ended June 30, 2003, the average daily balance of \$1.46 billion returned \$59 million, a 4.05 percent yield. This yield is a decrease from the 2002 yield of 5.09%.

State law requires that all public funds deposited in banks be secured by having each such bank maintaining, at all times, an aggregate amount of securities of at least 102 percent of the amount on deposit, less the \$100,000 insured by the Federal Deposit Insurance Corporation (FDIC). It is the State's policy to continually monitor the clearing and depository banks for compliance with this law.

### ***Risk Management***

Workers' compensation, employee health coverage, employee liability and general liability are self-insured. Commercial insurance coverage has been purchased for automobile liability, real and personal property damage, employee life coverage, and employees' errors or omissions. Note 13 of the Notes to the Financial Statements discusses the State's risk management activities in more detail.

### ***Retirement Systems***

Total net assets of the State's pension trust funds reached \$5.5 billion by June 30, 2003, compared to \$5.3 billion on June 30, 2002. These are the assets of the three defined benefit plans (School, Judges and State Patrol plans), two defined contribution plans (County and State Employees plans) and the State Employees' Deferred Compensation Plan that are administered by the State. As noted in Note 11 to the Financial Statements, the State has no unfunded actuarial accrued liability related to such pension plans.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal year ended June 30, 2002. This was the twelfth consecutive year that the State has received this prestigious award. In order to be awarded a Certificate of Achievement, the State published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report continues our commitment to comprehensive disclosure of the State's financial condition. We are committed to issuing reports that are informative and meet governmental accounting standards.

Reports that meet these standards provide the reader with an opportunity to make more informed judgments about the government's financial position and results of operations.

The 2003 CAFR represents our commitment to this goal. We wish to express our appreciation to the accounting staff of the State Accounting Division of the Department of Administrative Services and the budget and accounting staff throughout state government for their assistance in the preparation of this report.

Questions or requests for additional information related to this report can be directed to the State Accounting office at (402) 471-2581.

Respectfully submitted,

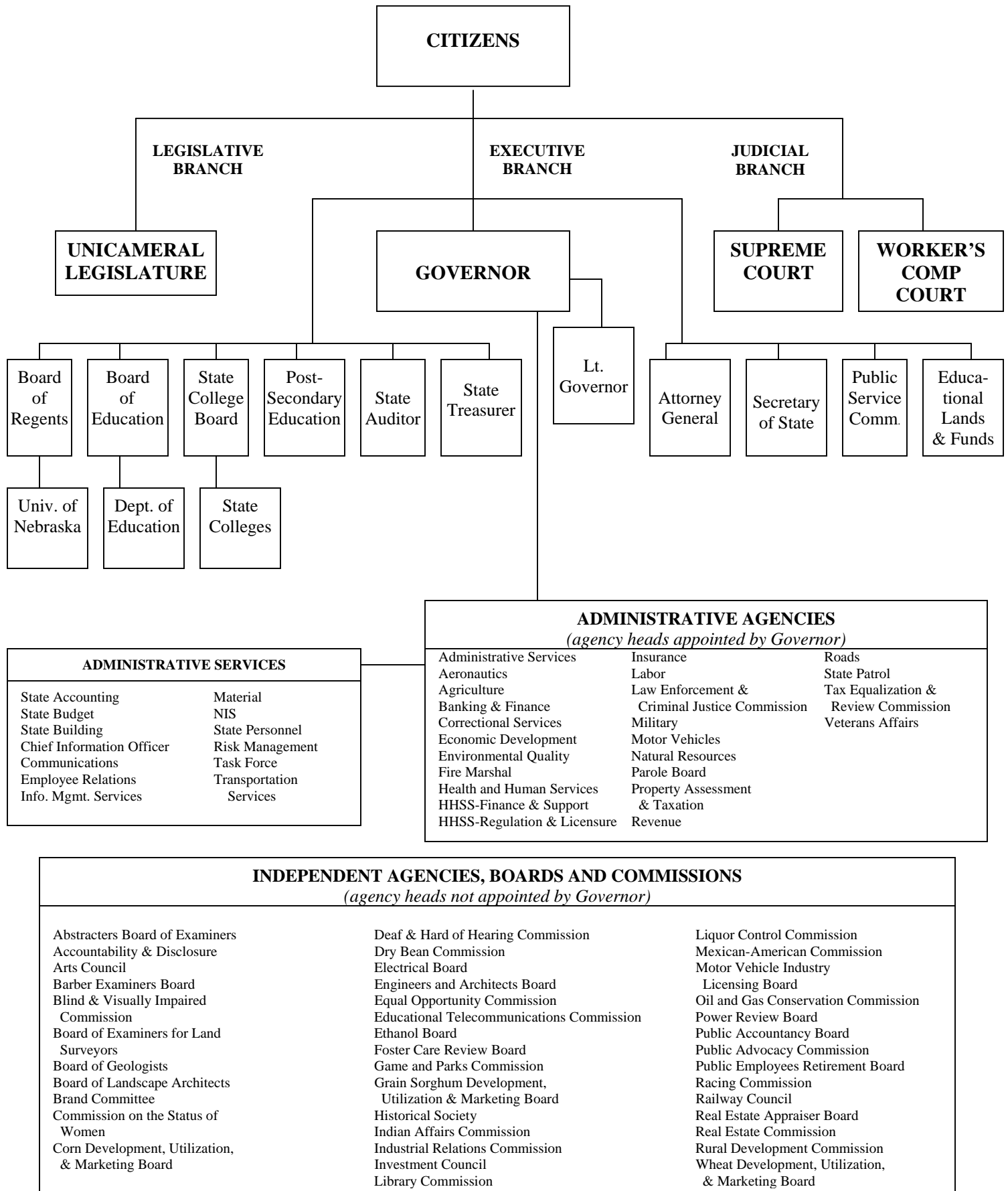
A handwritten signature in black ink, reading "Lori McClurg". The signature is written in a cursive, flowing style.

Lori McClurg  
Director, Department of  
Administrative Services

A handwritten signature in black ink, reading "Paul Carlson". The signature is written in a cursive, flowing style.

Paul Carlson  
State Accounting Administrator

# Nebraska State Government Organization Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Nebraska

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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## FINANCIAL SECTION

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**KPMG LLP**

Suite 1501  
Two Central Park Plaza  
Omaha, NE 68102

Suite 1600  
233 South 13<sup>th</sup> Street  
Lincoln, NE 68508-2041

## **Independent Auditors' Report**

The Honorable Governor,  
Members of the Legislature and  
Citizens of the State of Nebraska:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska, as of and for the year ended June 30, 2003, which collectively comprise the State of Nebraska's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Nebraska's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, the Nebraska State Lottery enterprise fund or the State and County Employees' Retirement Plans. The Nebraska State Lottery enterprise fund and the State and County Employees' Retirement Plans represent 12.3% and 6.3% of the assets and revenues, respectively, of the aggregate remaining fund information. The State Lottery enterprise fund represents 4.5% and 37.4% of the assets and revenues, respectively, of the business type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units and aggregate remaining fund information and their effects on the business-type activities is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 11, 2004 on our consideration of the State of Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 16 through 29, the Budgetary Comparison Schedules—General Fund, Cash, Construction, Federal and Revolving Fund Types on pages 66 through 71; the Information About Infrastructure Assets Reported Using the Modified Approach on page 72; and the Schedules of Funding Progress and Three-Year Trend Information on page 61 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nebraska's basic financial statements. The combining statements within the financial section as listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

**KPMG LLP**

Lincoln, Nebraska  
June 11, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of the State of Nebraska provides the following discussion and analysis of the State of Nebraska's financial performance, as reflected in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003. Please read it in conjunction with the additional information furnished in the letter of transmittal at the front of this report, and with the State's basic financial statements, which follow. Numerical years refer to fiscal years with a June 30 year-end, unless otherwise noted.

The State of Nebraska (State) implemented new standards in 2002 required by Governmental Accounting Standards Board (GASB) Statement No. 34 and related statements. Because the State now has two years reported under these new standards, a comparative analysis of government-wide data is available and presented in this analysis.

### **FINANCIAL HIGHLIGHTS**

#### **Government-Wide:**

The assets of the State exceeded its liabilities at June 30, 2003 by \$8.2 billion (presented as "net assets" in the CAFR). The majority of the net assets is represented by the investment in the State's infrastructure and other capital assets, which cannot be used to fund ongoing activities of the State. Of the net assets, "unrestricted net assets" was reported as \$149 million, the majority of which is, by statute, to be spent on nursing facilities, medical assistance programs and tobacco prevention and control. The primary government's net expenses exceeded net revenues for 2003 by \$155 million (thus, a reduction in net assets). The reduction in net assets was primarily a result of the national economic slowdown which caused less taxes to be collected.

#### **Fund Level:**

General Fund receipts for 2003 were \$238 million below the original budgeted amount. Expenditures were also down \$153 million from the original budget. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had \$143 million in excess expenditures prior to other financing sources (uses) resulting in a negative fund balance on June 30, 2003 of \$17 million. Other governmental funds had \$10 million in excess expenditures prior to other financing sources (uses) reducing such fund balances at June 30, 2003 to \$1,326 million.

The \$193 million of net assets of the Unemployment Compensation Fund represents eighty-nine percent of the proprietary funds. Such fund had a \$27 million decrease in net assets for 2003 due to higher unemployment claims.

#### **Long-term Liabilities:**

Long-term liabilities totaled \$630 million at June 30, 2003, an increase of \$159 million from the prior year. Most of these liabilities consist of (1) \$285 million of claims payable for workers' compensation claims, medical excess liability, unemployment compensation claims, employee health insurance claims, among other claims, (2) \$167 million of Medicaid claims, and (3) the calculated amount for vested sick

leave due employees when they retire and accrued vacation, totaling \$ 107 million. Debt related to capital assets totaled \$61 million at June 30, 2003.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This CAFR also contains other supplementary information (e.g., budgetary schedules and combining financial statements) in addition to the basic financial statements. These components are described below:

### **Government-Wide Financial Statements**

These statements provide a broad view of the State's operations in a manner similar to the private sector, providing both a short-term and a long-term view of the State's financial position. The statements are prepared using the accrual basis of accounting. This means all revenues and expenses related to the fiscal year are recorded in the statements, even if cash has not been received or paid. If taxes are owed to the State but not yet received, such transaction is recorded as an asset (a receivable) and revenue to the State. Likewise, if the State owes for vacation time, but has not yet paid the worker for such vacation earned, then the liability and payroll expense is recorded. The government-wide financial statements include two statements, the Statement of Net Assets and the Statement of Activities.

The *Statement of Net Assets* (page 33) presents all the State's assets and liabilities with the difference between the two reported as "Net Assets." Changes in net assets over time may indicate the relative health of the State and this statement will assist users in assessing whether or not the State's financial position is improving or deteriorating.

The *Statement of Activities* (pages 34 and 35) presents information showing how the State's net assets changed during the reported year. All changes in net assets are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows, using the accrual basis of accounting discussed earlier.

Both of these statements have separate sections for three different types of State programs or activities. These sections are Governmental Activities, Business-type Activities, and Discretely Presented Component Units. Governmental Activities and Business-type Activities are combined to report on what is termed Primary Government activities, which is separate and distinct from the activity of the component units. Fiduciary Funds, which include the Pension Funds, are not included in the Government-wide Financial Statements.

#### ***Primary Government***

**GOVERNMENTAL ACTIVITIES** – Activities in this section are mostly supported by taxes and federal grants. All General Fund activity is included here. Governmental activities represent over 95% of all activity of the primary government. It includes general government; education; health and human services; public safety; transportation; regulatory services; and economic development and assistance.

**BUSINESS-TYPE ACTIVITIES** – Functions reported in this section include those activities whereby the State charges fees and other charges to external users of the State's services and purchasers of State's goods in order to recover all or a significant portion of the State's operating costs related to these activities, much like a private business. Such activities are unemployment compensation services, lottery tickets, premium

surcharges for excess liability coverage, and the sales and services provided by Cornhusker State Industries.

### ***Component Units***

DISCRETELY PRESENTED COMPONENT UNITS – These are separate organizations for which the State has financial accountability but such organizations have independent qualities as well. The University of Nebraska and the Nebraska State College System are the State’s only two discretely presented component units. While presented in this report, each of these two units have separate audited financial statements and such audited reports can be obtained from their respective administrative offices.

The government-wide financial statements can be found immediately following this discussion and analysis.

## **Fund Financial Statements**

This is the second set of financial statements presented in the CAFR. These statements are different from the government-wide statements in that some of these statements use a different accounting approach and focus on the near-term inflows and outflows of the State’s operations. As previously noted, these Statements are commonly referred to as GAAP Fund Statements, as they are prepared in accordance with generally accepted accounting principles. The Fund Financial Statements (which begin on page 36) provide detailed information about the State’s major funds. A fund is a method of accounting that uses a set of accounts to maintain accountability and control over specific sources of funding and spending for a particular activity or objective. The State’s funds are divided into three categories – Governmental Funds, Proprietary Funds and Fiduciary Funds. It is important to note that each of these three fund categories use different accounting approaches and should be analyzed differently.

***Governmental Funds Financial Statements*** – Most of the basic services provided by the State are reported in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, the Governmental Funds Financial Statements use modified accrual accounting, which limits assets to cash and all other financial assets that can readily be converted into cash. This is different from the governmental activities recorded in the government-wide financial statements that use full accrual accounting. These fund statements provide a detailed short-term view of the State’s finances that assist the reader in determining whether or not there will be adequate financial resources to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader can better understand the long-term impact of the State’s near-term financing decisions. To aid the reader in such analysis, reconciliations are provided between the Government-wide Financial Statements and the Governmental Funds Financial Statements (see pages 37 and 39).

The State of Nebraska’s governmental funds include five major funds: the General Fund, the Highway Fund, the Federal Fund, the Health and Social Services Fund and the Permanent School Fund. Non-major special revenue, capital project and other permanent funds are also included in the governmental funds.

***Proprietary Funds Financial Statements*** – These funds are used to show activities that operate more like those of commercial enterprises. Thus, when the State charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds consist of both Enterprise Funds (services provided to outside customers) and Internal Service Funds (services provided to other State agencies). Proprietary funds utilize accrual accounting, the same method used by private businesses. Therefore, the net assets reported in these statements as Enterprise Funds will be identical to the net assets reported in the net assets for business-type activities in the Government-wide Financial Statements. However, because the Internal Service Funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-wide Financial Statements.

***Fiduciary Funds Financial Statements*** – Whenever the State receives funds on behalf of others, it is acting in a fiduciary capacity or trustee of those funds belonging to others. Thus, assets in these funds are restricted as to use and do not represent discretionary assets that the State could use to finance its operations. They are presented in these statements only for the purpose to indicate that the State has responsibility for these assets. For that reason, such assets are not included in the government-wide financial statements. Fiduciary funds are reported on the accrual basis of accounting.

The State's principal fiduciary fund is the Pension Fund, which contains retirement contributions held by the State for state employees, county employees and public school employees (see Note 11 to the financial statements). There are also Private-Purpose Trust Funds whereby the State has control of unclaimed property and funds held for inmates and clients or wards of the State. The State also has Agency Funds whereby the State holds funds earmarked as aid for other political subdivisions and funds due to outside organizations as a result of payroll deductions.

## **Component Units Financial Statements**

As mentioned in the discussion of the Government-wide Financial Statements, the State has included the net assets and activities of the University of Nebraska and the Nebraska State College System in a single column of such statements, labeling them as discretely presented component units. We have provided separate, but brief, component unit statements to allow the reader to analyze each of these two units separately.

## **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in all of the basic financial statements. The notes can be found immediately following the component units' financial statements beginning on page 48.

## **Required Supplementary Information**

Following the basic financial statements, and the accompanying notes thereto, is additional Required Supplementary Information that further explains and supports the information in such financial statements. The required supplementary information includes budgetary comparison schedules reconciling statutory fund balances used for budgetary purposes to the fund balances determined by GAAP used in the Fund Financial Statements for the General Fund, Cash Funds, Construction Funds,

Federal Funds, and Revolving Funds. Other information included is the condition and maintenance data regarding certain aspects of the State's infrastructure.

## Other Supplementary Information

Other supplementary information includes the combining statements for non-major governmental, proprietary and fiduciary funds. These funds are summarized by fund type and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the Governmental Fund Financial Statements. Also presented is a statistical section providing a variety of data about the State.

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

### Net Assets

The State's assets totaled \$9,660 million at June 30, 2003 as compared to \$9,658 at June 30, 2002. As total liabilities only totaled \$1,466 million, net assets amounted to \$8,194 million as of June 30, 2003. As of June 30, 2002, these amounts were \$1,309 million and \$8,349 million, respectively. By far the largest portion of the State of Nebraska's net assets (84 percent) reflects the State's investment in capital assets (e.g., land, buildings, equipment and infrastructure – highways, bridges, etc.). The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Restricted net assets are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. They also are not available for future spending.

### STATE OF NEBRASKA Net Assets as of June 30 (in millions of dollars)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Current and Other						
Non-current Assets	\$ 2,386	\$ 2,543	\$ 311	\$ 317	\$ 2,697	\$ 2,860
Capital Assets	6,956	6,791	7	7	6,963	6,798
<b>Total Assets</b>	<b>9,342</b>	<b>9,334</b>	<b>318</b>	<b>324</b>	<b>9,660</b>	<b>9,658</b>
Non-current Liabilities	560	409	70	62	630	471
Other Liabilities	805	822	31	16	836	838
<b>Total Liabilities</b>	<b>1,365</b>	<b>1,231</b>	<b>101</b>	<b>78</b>	<b>1,466</b>	<b>1,309</b>
Net assets:						
Invested in Capital Assets,						
Net of Related Debt	6,909	6,749	7	7	6,916	6,756
Restricted	933	1,005	196	223	1,129	1,228
Unrestricted	135	349	14	16	149	365
<b>Total Net Assets</b>	<b>\$ 7,977</b>	<b>\$ 8,103</b>	<b>\$ 217</b>	<b>\$ 246</b>	<b>\$ 8,194</b>	<b>\$ 8,349</b>

The State's non-capital assets represent 28% of the State's total assets and chiefly consist of cash, investments and receivables. It should be noted that \$245 million in 2003 and \$293 million in 2002 of such assets represent "Securities Lending Collateral," an amount created by a journal entry required by GASB in order to record a lending transaction. Since the asset is offset by a corresponding equal liability, the net asset is zero and thus the asset cannot be spent. (For more detail, see Note 2 to the financial statements.)

Since the State's Constitution generally prohibits the State from incurring debt, the Statement of Net Assets presents few long-term liabilities (shown as noncurrent liabilities). The majority of such liabilities are for claims payable for workers' compensation claims, medical excess liability, unemployment compensation claims, employee health insurance claims, among other claims (\$285 million for 2003 and \$116 million for 2002), Medicaid claims for \$167 million (\$184 million in 2002) and the calculated amount for vested sick leave due employees when they retire and accrued vacation of \$ 107 million of 2003 (\$98 million for 2002). Other minor amounts of long-term liabilities consist chiefly of capital lease obligations (See Note 9 to the Financial Statements), and bonds payable related to NETC Leasing Corporation and Nebraska State Building Corporation bonds. Both of these entities are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State (See Note 1.B. to the Financial Statements).

At the end of June 30, 2003, the State is able to report positive balances in all of the three categories of net assets.

The net assets for business-type activities represents chiefly cash set aside for future unemployment compensation benefits.

## **Changes in Net Assets**

The condensed financial information on the following page was derived from the Government-wide Statement of Activities and reflects how the State's net assets changed during the year. Following that table is management's analysis of the changes in net assets for 2003, analyzing both the governmental activities and the business-type activities.

**STATE OF NEBRASKA**  
**CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30**  
*(in millions of dollars)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 488	\$ 434	\$ 216	\$ 220	\$ 704	\$ 654
Operating Grants and Contributions	1,801	1,784	-	-	1,801	1,784
Capital Grants and Contributions	5	1	-	-	5	1
General Revenues						
Taxes	2,960	2,867	-	-	2,960	2,867
Unrestricted Investment Earnings	74	66	17	15	91	81
Miscellaneous	12	10	-	-	12	10
<b>Total Revenues</b>	<b>5,340</b>	<b>5,162</b>	<b>233</b>	<b>235</b>	<b>5,573</b>	<b>5,397</b>
<b>EXPENSES</b>						
General Government	283	124	-	-	283	124
Conservation of Natural Resources	88	100	-	-	88	100
Culture - Recreation	28	24	-	-	28	24
Economic Development and Assistance	84	87	-	-	84	87
Education	1,216	1,173	-	-	1,216	1,173
Higher Education - Colleges and Universities	461	466	-	-	461	466
Health and Social Services	2,220	2,167	-	-	2,220	2,167
Public Safety	238	234	-	-	238	234
Regulation of Business and Professions	117	105	-	-	117	105
Transportation	626	664	-	-	626	664
Intergovernmental	121	127	-	-	121	127
Interest on Long-term Debt	4	3	-	-	4	3
Unemployment Compensation	-	-	161	132	161	132
Lottery	-	-	61	56	61	56
Excess Liability	-	-	14	11	14	11
Cornhusker State Industries	-	-	6	9	6	9
<b>Total Expenses</b>	<b>5,486</b>	<b>5,274</b>	<b>242</b>	<b>208</b>	<b>5,728</b>	<b>5,482</b>
Excess (deficiency) Before Transfers	(146)	(112)	(9)	27	(155)	(85)
Transfers	20	18	(20)	(18)	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>(126)</b>	<b>(94)</b>	<b>(29)</b>	<b>9</b>	<b>(155)</b>	<b>(85)</b>
<b>Net Assets - Beg.- Restated 2002</b>	<b>8,103</b>	<b>8,197</b>	<b>246</b>	<b>237</b>	<b>8,349</b>	<b>8,434</b>
<b>Net Assets - Ending</b>	<b>\$ 7,977</b>	<b>\$ 8,103</b>	<b>\$ 217</b>	<b>\$ 246</b>	<b>\$ 8,194</b>	<b>\$ 8,349</b>

## Governmental Activities

Governmental activities reduced the State's net assets by \$126 million in 2003 (\$94 million in 2002). Furthermore, governmental activities represent 96% of all the primary government's revenues. Program revenues of governmental activities were \$2,294 million and were used to partially offset program expenses of \$5,486 million, leaving net expenses of \$3,192 million. Approximately 5% of total expenses were spent on general government expenses. General taxes, transfers and earnings of \$3,066 million were used to cover most of the remaining costs of the programs as shown below.

### GOVERNMENTAL ACTIVITIES (in millions of dollars)

Program Expenditures, Net of Revenue	2003	2002
General Government	\$ (194)	\$ (69)
Conservation of Natural Resources	(23)	(30)
Culture - Recreation	(9)	(4)
Economic Development and Assistance	(22)	(24)
Education	(958)	(940)
Higher Education - Colleges and University	(461)	(466)
Health and Social Services	(896)	(790)
Public Safety	(173)	(175)
Regulation of Business and Professions	(2)	(60)
Transportation	(343)	(367)
Intergovernmental	(107)	(127)
Interest on Long-Term Debt	(4)	(3)
<b>Subtotal</b>	<b>(3,192)</b>	<b>(3,055)</b>
<b>General Revenues</b>		
Taxes	2,960	2,867
Unrestricted Investment Earnings	74	66
Miscellaneous	12	10
<b>Transfers</b>	<b>20</b>	<b>18</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (126)</b>	<b>\$ (94)</b>

## Business-type Activities

The business-type activities reduced the State's net assets by \$29 million for 2003 after a \$20 million transfer to the governmental activities. Most of the \$216 million of business-type activities' program revenues was related to the business assessment fees in the Unemployment Compensation Fund; such fund had an operating loss of \$37 million in 2003. Lottery revenue of \$81 million generated net revenue of \$19 million. An additional \$17 million in investment income also helped offset the increased expenditures incurred for unemployment compensation claims and excess liability claims.

## **FINANCIAL ANALYSIS OF THE STATE'S FUNDS**

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the State's Governmental Funds is to provide information on near-term inflows and outflows and the availability of spendable resources. In particular, the unreserved balance may provide some indication of the State's net resources available for spending at the end of the fiscal year. (Unreserved balances may be restricted or unrestricted. If they are restricted, they are unreserved only as long as they are used for the purposes of the fund involved. In the Governmental Funds, most of the unreserved balances reside in restricted funds.) At the end of 2003, the State's Governmental Funds reported combined ending fund balances of \$1,309 million. The total unreserved balances amounted to \$976 million.

#### ***General Fund***

The General Fund is the chief operating fund of the State. The major General Fund liability was the estimated tax refunds payable (\$240 million). Such refunds exceeded the expected taxes owed the State by \$3 million. Other liabilities of the General Fund exceeded the assets available to pay such liabilities by \$14 million.

On June 30, 2002, the General Fund had an \$81 million fund balance. As 2003 unfolded, significant reduction in spending was required due to the lower than anticipated revenues due to the slow economy. Even though spending was cut, the reduced revenue, coupled with other changes in reserves for certain liabilities and receivables, caused the General Fund balance to decrease by \$98 million, ending with a negative fund balance of \$17 million.

Revenues in 2003 were less than anticipated chiefly due to (1) lower corporate income taxes because companies were less profitable, (2) lower individual income taxes resulting from lower reportable capital gains and lower revenues by farmers and small business owners, and (3) lower sales taxes collected because of lower retail sales. Expenditures were less than budgeted due to a concerted effort by agency heads responding to the Governor's message to be conservative in spending in addition to mandated cuts.

While tax receipts were less than anticipated, overall 2003 tax receipts were up \$144 million over 2002 because of an expanded sales tax base to include many services, a ½ cent increase in the sales tax rate and a 30 cent per pack increase in cigarette taxes, all designed to bolster tax receipts. The increase in these tax receipts more than offset a \$16 million reduction in income tax receipts.

For the past two years the revenues of the State have been less than projected. To compensate for downturns such as this, within the General Fund, the State has maintained a Cash Reserve Fund, which is to be used when revenues are not sufficient to meet General Fund expenditures. Such reserve was at \$110 million at the end of 2002. During 2003, a significant increase in the cigarette tax increased the Cash Reserve Fund by almost \$23 million and \$14 million was received from the increase in sales tax on motor vehicles. An additional \$29 million was received from the federal government to help offset the State's economic losses. However, due to legislative mandated transfers and transfers to the General Fund to make up for lagging revenues totaling \$117 million, this balance was reduced to \$59 million at the end of 2003.

Expenditures in 2003 in the General Fund, while much less than budgeted, were still up \$61 million over 2002, chiefly due to spending for increased aid to K-12 schools (\$15 million), increased Medicaid costs (\$35 million), and workers' compensation claims (\$8 million).

An additional \$30 million was transferred to the General Fund from other funds. Fourteen million came from the Highway Fund from the increased sales tax collected on new vehicles as a result of the ½ cent sales tax hike and the other significant increase was \$10 million in additional license fees. These, when coupled with \$18 million less in capital construction project costs and other items caused income from net transfers to increase \$48 million.

### ***Other Governmental Funds***

Other governmental fund balances totaled \$1,326 million at June 30, 2003; \$333 million of such funds is reserved to indicate such funds are not available for new spending because such funds (1) are represented by endowment principal (\$156 million), which means the funds cannot be spent, (2) are represented by an asset that has not yet been received, e.g., loans receivable (\$160 million), (3) have been expended for other assets, chiefly inventories (\$10 million) and thus the funds are not available, or (4) have been committed for debt service (\$7 million).

Of the non-General Fund unreserved fund balances of \$993 million, \$179 million represents permanent school funds which can be used only for support of public schools. \$765 million is represented by special revenue funds which while unreserved, normally must be spent within the confines of such special revenue funds (a majority of these same funds are considered "restricted" on the government-wide financial statements). Nineteen million is represented by other permanent funds, which again normally must be spent within the confines of the fund. Thirty million dollars are in the Capital Projects Fund, which, while unreserved, must be spent on a capital projects.

The three major funds presented as special revenue funds are the Highway Fund, the Federal Fund and the Health and Social Services Fund, with total fund balances of \$414 million. Of this balance, \$400 million is classified as unreserved, but which are restricted in the government-wide statements in that the funds are unreserved only within the confines of such funds.

Governmental funds other than the General Fund saw a decrease in fund balances of \$29 million. Fund balance decreases in the Highway Fund (\$27 million), the Federal Fund (\$15 million) and the Health and Social Service Fund (\$27 million) were somewhat offset by increases in the Permanent School Fund (\$20 million and other Nonmajor Funds (\$20 million).

The Highway Fund had \$7 million less in federal grants and \$10 million less in sales tax revenues, after a transfer of \$14 million to the General Fund. This, along with \$10 million more in operating expenses (only a 1% increase), caused the \$27 million reduction in fund balance from the prior year.

The Federal Fund had a \$15 million increase in educational expenses; as such, net revenue decreased from the prior year by that amount.

The Health and Social Services Fund had an increase in investment income of \$7 million, but a reduction of \$11 million in IGT funds, a \$26 million increase in expenditures due to audit accruals, and increased Medicaid expenses, among other changes, resulted in a \$58 million reduction in net revenues. Since 2002 had net revenues of \$31 million, the fund balance was reduced by \$27 million.

The Permanent School Funds had a \$21 million improvement of investment earnings, earning about 5% in 2003 (whereas 2002 was a down market year) which was the main reason the fund balances increased \$20 million. Other costs and revenues remained relatively stable.

The Nonmajor Funds were mostly stable from 2002, with \$30 million of increased revenues from miscellaneous taxes, rents and other revenue. However, \$26 million of less transfers, no bond proceeds in 2003 (a \$14 million reduction) and other changes resulted in a \$13 million smaller increase in fund balances from the prior year.

## **Fiduciary Funds**

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Funds net assets increased \$209 million to \$5,525 million in 2003 due primarily to the recovering market in 2003 as opposed to the declining market in 2002 which saw the value of investments showing a \$431 million loss. Investment income in 2003 was \$103 million versus \$132 million in 2002, due to the slide in interest rates in 2003. Contributions to the plan exceeded benefits, refunds and related administrative expenses by \$46 million. In another trust fund, \$188 million was received by the College Savings Plan and is recorded in the Private Purpose Trust Funds. Total net assets in this Plan now total \$405 million.

## **Proprietary Funds**

The State's proprietary funds provide the same type of information found in the government-wide financial statements under Business-type Activities, but in more detail. The State's one major proprietary fund, the Unemployment Compensation Fund, had reported net assets of \$193 million at the end of 2003. This fund's net assets decreased \$27 million in 2003, due to unemployment claims paid out, which increased \$28 million over 2002. Other proprietary or enterprise funds – the Lottery Fund, the Excess Liability Fund (this fund was established to provide limited liability for physicians working in Nebraska) and Cornhusker State Industries (this operation utilizes incarcerated persons to manufacture and sell items) had combined income of \$17 million prior to an \$20 million transfer from the Lottery to governmental funds primarily for education and environmental studies.

## **ANALYSIS OF GENERAL FUND BUDGET VARIATIONS**

The State continued to see the results of the national economic slowdown. Forecasted revenues, upon which the State's budgeted expenses were based, had anticipated a quicker end to the 2001 recession. As a result, the State did not realize the projected revenues of \$2,684 million, but instead only collected \$2,446 million, a shortfall of \$238 million. Because the revenues did not come in as expected, the State's Forecasting Board continually made new forecasts, each time reducing the expected revenues. As a result, the final budget for expenditures (which is set long before the year unfolds) was \$189 million higher than the revised revenue forecasts. To solve this problem, the Governor and the Legislature had to find ways to make up this difference. Agencies were encouraged to spend less than their appropriations and the State Budget Office also helped control spending by reducing the allotments provided to agencies, which was less than their appropriations. The allotment reductions were generally across the board reductions. General fund spending ended up \$94 million less than the appropriated amount. This reduction, when coupled with an infusion of \$42 million of increased transfers, allowed the State to finish 2003 with only \$102 million of expenditures in excess of revenues.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2003, the State had invested \$7.0 billion, net of accumulated depreciation, in capital assets as reported in the Statement of Net Assets and summarized in the table below. Depreciation for 2003 totaled \$43 million, compared to \$40 million for 2002.

#### CAPITAL ASSETS AS OF JUNE 30 (net of depreciation in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
Land	\$ 458	\$ 438	\$ -	\$ -	\$ 458	\$ 438
Buildings and Equipment	359	342	7	7	366	349
Infrastructure	6,082	5,981	-	-	6,082	5,981
<b>Subtotal</b>	<b>6,899</b>	<b>6,761</b>	<b>7</b>	<b>7</b>	<b>6,906</b>	<b>6,768</b>
Construction in Progress	57	30	-	-	57	30
<b>Total</b>	<b>\$ 6,956</b>	<b>\$ 6,791</b>	<b>\$ 7</b>	<b>\$ 7</b>	<b>\$ 6,963</b>	<b>\$ 6,798</b>

GASB Statement No. 34 requires the State to select one of two methods to account for its infrastructure assets. One process is to record depreciation expense on selected infrastructure assets. The State has adopted an alternative process, referred to as the modified approach. Under this alternative method, the State expenses certain maintenance and preservation costs and does not record any depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of roads that the State is responsible to maintain.

The State has consistently maintained a high level of the assessed condition of roads over the past five years. The State's goal is to maintain at least an overall system rating of 72 percent or above. The most recent condition assessment, completed for calendar year 2002, indicated an overall system rating of 83%, a 1% drop in the same rating from the prior two years.

For 2003 and 2004, it was estimated that the State needed to spend \$174 million and \$179 million, respectively, to preserve and maintain the roads at the abovementioned level. The State actually spent \$221 million on roads in 2003, compared to \$194 million in 2002.

During 2003, the State added \$64 million of new depreciable capital assets. The State spent \$120 million on infrastructure and land purchases in 2003, most notably reconstructing (a) Interstate 80 in and around Omaha, Nebraska, (b) Highway 275 around Waterloo, (c) Highway 30 east of Columbus and (d) Highway 6 on the west side of Omaha. This compares to \$89 million spent in 2002. Twenty-eight million of governmental funds were spent on capital projects in 2003 compared to twenty-six million in 2002. Major spending on capital projects included debt service payments for certain educational facilities and the Capitol renovation project.

At June 30, 2003, the State had contractual commitments of \$546 million of non-General Funds for various highway and building projects. Most of the related expenditures will be expensed and not capitalized. (See Notes 1.J and 4 to the basic financial statements.)

The State's General Fund capital outlay budget authorized spending \$20 million on capital projects in 2004, in addition to \$5 million of unspent capital outlay authorizations that existed on June 30, 2003.

## Long-Term Debt

Long-term debt related to capital assets is minimal for reasons previously stated.

### CERTAIN LONG-TERM DEBT AS OF JUNE 30 (in millions of dollars)

	GOVERNMENTAL ACTIVITIES	
	2003	2002
<b><u>Bonds Payable:</u></b>		
Nebraska State Building Corporation	\$ 4	\$ 4
NETC Leasing Corp	27	29
	<u>31</u>	<u>33</u>
 <b><u>Capitalized Leases:</u></b>	 <u>\$ 30</u>	 <u>\$ 32</u>

The NETC Leasing Corporation issued \$10 million of new bonds in 2002 to finance additional educational television facilities. These are being repaid on a timely basis. There were no new bonds issued in 2003. In 2002, an \$18 million lease was signed to help finance the State's new \$29 million Nebraska Information System, which was implemented in 2003. Such system provides new electronic processing for accounting, human resources/payroll, inventory, grants management and budget. There was only one small capitalized lease added in 2003, which was more than offset by debit repayments. Bonds and Certificates of Participation for leases issued on behalf of the State maintain an AA rating from Standard and Poors and an Aa3 rating from Moody's.

## FACTORS THAT WILL AFFECT THE FUTURE

Revenues for the State's fiscal year ending June 30, 2004 will increase, as net general tax revenues are expected to increase approximately \$250 million over 2003, a 10% increase. Much of the increase is due to a 14% increase in income tax receipts, as capital gain losses have decreased significantly and Nebraska farm income has greatly improved and the economy has begun a slow turnaround. The ½ cent increase in the sales tax rate has been made permanent. The permanent increase in cigarette taxes will also continue to boost the State's cash position. Furthermore, in 2004 the State received another \$29 million from federal funds to help offset sagging revenues.

To help offset any future economic downturns, the State maintains a cash reserve fund. As of June 30, 2003, this fund had a \$59 million balance. Factors affecting the June 30, 2004 Cash Reserve Fund balance include the \$29 million federal funds received, legislative mandated net transfers to the General

Fund of \$32 million, and revenues from cigarette taxes of approximately \$29 million. The June 30, 2005 Cash Reserve Fund balance will be affected by legislative mandated transfers to the General Fund of \$27 million and cigarette tax receipts of only three months as opposed to twelve months in prior years.

## **CONTACTING THE STATE ACCOUNTING OFFICE**

This report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional information, contact the State Accounting Division of the Department of Administrative Services, Suite 1309 State Capitol, Lincoln, NE 68509-4664, (402) 471-2581.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component units. For the University of Nebraska, contact the University of Nebraska, Director of University Accounting, 209 Varner Hall, 3835 Holdrege, Lincoln, NE 68583, (402) 472-2191. For the State College System, contact the Nebraska State College System, Fiscal and Facilities Management, 11<sup>th</sup> Floor State Capitol, Lincoln, NE 68509-4605, (402) 471-2505.

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## BASIC FINANCIAL STATEMENTS

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State of Nebraska  
**STATEMENT OF NET ASSETS**  
June 30, 2003

(Dollars in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
ASSETS				
Cash and Cash Equivalents	\$ 259,671	\$ 173,801	\$ 433,472	\$ 187,330
Receivables, net of allowance				
Taxes	279,526	-	279,526	-
Due from Federal Government	219,447	-	219,447	-
Other	61,296	27,371	88,667	93,461
Internal Balances	656	(656)	-	-
Due from Primary Government	-	-	-	1,349
Investments	1,128,113	87,655	1,215,768	234,015
Loans Receivable	160,485	-	160,485	37,631
Investment in Joint Venture	-	-	-	131,516
Other Assets	16,483	1,624	18,107	44,432
Restricted Assets:				
Cash and Cash Equivalents	34,377	-	34,377	250,841
Other	-	2,470	2,470	3,077
Securities Lending Collateral	225,760	19,153	244,913	-
Capital assets:				
Land	458,170	-	458,170	45,628
Infrastructure	6,081,847	-	6,081,847	85,076
Construction in Progress	57,201	-	57,201	121,561
Buildings and Equipment	741,040	10,303	751,343	1,273,530
Less Accumulated Depreciation	(382,499)	(3,740)	(386,239)	(521,224)
Total Capital Assets, net of depreciation	6,955,759	6,563	6,962,322	1,004,571
Total Assets	\$ 9,341,573	\$ 317,981	\$ 9,659,554	\$ 1,988,223
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 292,400	\$ 8,464	\$ 300,864	\$ 76,837
Tax Refunds Payable	246,165	-	246,165	-
Due to Other Governments	18,006	-	18,006	-
Deposits	6,917	-	6,917	354
Due to Component Units	1,349	-	1,349	-
Deferred Revenue	13,540	3,990	17,530	66,939
Obligations under Securities Lending	225,760	19,153	244,913	-
Noncurrent Liabilities:				
Due within one year	210,044	31,341	241,385	38,474
Due in more than one year	350,418	38,310	388,728	330,359
Total Liabilities	\$ 1,364,599	\$ 101,258	\$ 1,465,857	\$ 512,963
NET ASSETS				
Invested in Capital Assets, net of related debt	\$ 6,909,470	\$ 6,563	\$ 6,916,033	\$ 680,072
Restricted for:				
Education	9,657	-	9,657	109,879
Health and Social Services	13,408	-	13,408	-
Transportation	127,638	-	127,638	-
Licensing and Regulation	129,061	-	129,061	-
Other Purposes	293,667	2,470	296,137	321,689
Unemployment Compensation Benefits	-	193,332	193,332	-
Debt Service and Construction	6,344	-	6,344	154,976
Permanent Trusts:				
Nonexpendable	155,672	-	155,672	-
Expendable	197,586	-	197,586	-
Unrestricted	134,471	14,358	148,829	208,644
Total Net Assets	\$ 7,976,974	\$ 216,723	\$ 8,193,697	\$ 1,475,260

The accompanying notes are an integral part of the financial statements.

State of Nebraska  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2003

(Dollars in Thousands)

	PROGRAM REVENUES			
		CHARGES FOR	OPERATING	CAPITAL
<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>SERVICES</u>	<u>GRANTS AND</u>	<u>GRANTS AND</u>
			<u>CONTRIBUTIONS</u>	<u>CONTRIBUTIONS</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General Government	\$ 283,413	\$ 43,364	\$ 46,417	\$ -
Conservation of Natural Resources	87,746	27,644	37,261	-
Culture – Recreation	28,083	16,441	2,355	-
Economic Development and Assistance	83,974	2,221	59,386	-
Education	1,215,793	34,810	219,120	3,971
Higher Education - Colleges and University	461,325	-	-	-
Health and Social Services	2,219,649	130,487	1,191,751	1,383
Public Safety	237,538	23,275	41,017	-
Regulation of Business and Professions	117,235	112,754	2,120	-
Transportation	626,550	82,414	201,596	-
Intergovernmental	121,269	14,133	-	-
Interest on Long-term Debt	3,808	-	-	-
Total governmental activities	5,486,383	487,543	1,801,023	5,354
Business-type activities:				
Unemployment Compensation	160,664	123,393	-	-
Lottery	61,455	80,919	-	-
Excess Liability	13,796	6,686	-	-
Cornhusker State Industries	6,103	5,196	-	-
Total business-type activities	242,018	216,194	-	-
Total Primary Government	<u>\$ 5,728,401</u>	<u>\$ 703,737</u>	<u>\$ 1,801,023</u>	<u>\$ 5,354</u>
<b>COMPONENT UNITS:</b>				
University of Nebraska	\$ 1,219,153	\$ 450,827	\$ 310,801	\$ 27,075
State Colleges	66,324	20,063	7,163	-
Total Component Units	<u>\$ 1,285,477</u>	<u>\$ 470,890</u>	<u>\$ 317,964</u>	<u>\$ 27,075</u>

General revenues:  
Income Taxes  
Sales and Use Taxes  
Petroleum Taxes  
Excise Taxes  
Business and Franchise Taxes  
Other Taxes  
Unrestricted Investment earnings  
Miscellaneous  
Payments from State of Nebraska  
Contributions to Permanent Fund Principal  
Transfers  
Total General Revenues and Transfers  
Change in Net Assets Before Change in Accounting Principle  
Cumulative Effect of Change in Accounting Principle  
Change in Net Assets  
Net Assets - Beginning  
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**NET (EXPENSE) REVENUE AND  
CHANGES IN NET ASSETS**

<b>PRIMARY GOVERNMENT</b>			<b>COMPONENT UNITS</b>
<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	
\$ (193,632)	\$ -	\$ (193,632)	\$ -
(22,841)	-	(22,841)	-
(9,287)	-	(9,287)	-
(22,367)	-	(22,367)	-
(957,892)	-	(957,892)	-
(461,325)	-	(461,325)	-
(896,028)	-	(896,028)	-
(173,246)	-	(173,246)	-
(2,361)	-	(2,361)	-
(342,540)	-	(342,540)	-
(107,136)	-	(107,136)	-
(3,808)	-	(3,808)	-
(3,192,463)	-	(3,192,463)	-
-	(37,271)	(37,271)	-
-	19,464	19,464	-
-	(7,110)	(7,110)	-
-	(907)	(907)	-
-	(25,824)	(25,824)	-
-	(25,824)	(3,218,287)	-
-	-	-	(430,450)
-	-	-	(39,098)
-	-	-	(469,548)
1,236,845	-	1,236,845	-
1,218,045	-	1,218,045	-
311,198	-	311,198	-
108,788	-	108,788	-
59,490	-	59,490	-
25,187	-	25,187	-
73,888	16,679	90,567	5,061
-	-	-	73,683
-	-	-	461,325
12,395	-	12,395	-
20,230	(20,230)	-	-
3,066,066	(3,551)	3,062,515	540,069
(126,397)	(29,375)	(155,772)	70,521
-	-	-	(15,572)
(126,397)	(29,375)	(155,772)	54,949
8,103,371	246,098	8,349,469	1,420,311
<u>\$ 7,976,974</u>	<u>\$ 216,723</u>	<u>\$ 8,193,697</u>	<u>\$ 1,475,260</u>

State of Nebraska  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2003

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
<b>ASSETS:</b>							
Cash and Cash Equivalents	\$ 48,623	\$ 20,399	\$ 36,971	\$ 22,010	\$ 8,366	\$ 59,575	\$ 195,944
Cash on Deposit with Fiscal Agents	-	-	-	-	-	34,377	34,377
Investments	70,295	110,558	2,833	274,224	309,456	360,747	1,128,113
Securities Lending Collateral	20,089	31,595	1,719	37,609	37,350	97,398	225,760
Receivables, net of allowance							
Taxes	236,696	42,543	-	-	-	287	279,526
Due from Federal Government	-	8,253	211,193	-	-	-	219,446
Loans	223	-	2,178	1,463	-	156,621	160,485
Other	12,674	10,105	23,454	2,887	1,669	9,281	60,070
Due from Other Funds	89,506	525	504	8,596	-	3,673	102,804
Inventories	-	8,970	3,682	997	-	-	13,649
Prepaid Items	51	10	289	3	-	120	473
Other	259	-	-	-	-	655	914
<b>TOTAL ASSETS</b>	<b>\$ 478,416</b>	<b>\$ 232,958</b>	<b>\$ 282,823</b>	<b>\$ 347,789</b>	<b>\$ 356,841</b>	<b>\$ 722,734</b>	<b>\$ 2,421,561</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES:</b>							
Accounts Payable and Accrued Liabilities	\$ 85,196	\$ 56,249	\$ 68,979	\$ 35,485	\$ 132	\$ 17,023	\$ 263,064
Tax Refunds Payable	239,930	6,235	-	-	-	-	246,165
Due to Other Governments	7,211	10,586	-	-	-	209	18,006
Deposits	260	610	3,703	152	80	2,112	6,917
Due to Other Funds	55,105	45	99,097	187	836	8,576	163,846
Due to Component Units	1,349	-	-	-	-	-	1,349
Obligations under Securities Lending	20,089	31,595	1,719	37,609	37,350	97,398	225,760
Claims Payable	74,018	-	90,130	-	-	-	164,148
Deferred Revenue	12,303	-	7,574	-	3,320	-	23,197
<b>TOTAL LIABILITIES</b>	<b>495,461</b>	<b>105,320</b>	<b>271,202</b>	<b>73,433</b>	<b>41,718</b>	<b>125,318</b>	<b>1,112,452</b>
<b>FUND BALANCES:</b>							
Reserved for:							
Long-Term Receivables	223	-	2,178	1,463	-	156,621	160,485
Inventories and Prepaid Items	51	8,980	289	1,000	-	120	10,440
Debt Service	-	-	-	-	-	6,905	6,905
Endowment Principal	-	-	-	-	136,111	19,561	155,672
Unreserved, reported in:							
General Fund	(17,319)	-	-	-	-	-	(17,319)
Special Revenue Funds	-	118,658	9,154	271,893	-	365,605	765,310
Permanent Funds	-	-	-	-	179,012	18,574	197,586
Capital Projects Fund	-	-	-	-	-	30,030	30,030
<b>TOTAL FUND BALANCES</b>	<b>(17,045)</b>	<b>127,638</b>	<b>11,621</b>	<b>274,356</b>	<b>315,123</b>	<b>597,416</b>	<b>1,309,109</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 478,416</b>	<b>\$ 232,958</b>	<b>\$ 282,823</b>	<b>\$ 347,789</b>	<b>\$ 356,841</b>	<b>\$ 722,734</b>	<b>\$ 2,421,561</b>

# RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2003

<b>Total fund balances for governmental funds</b>	\$ 1,309,109
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	458,170	
Infrastructure	6,081,847	
Construction in progress	57,201	
Other capital assets	683,391	
Accumulated depreciation	<u>(344,808)</u>	6,935,801

Certain tax revenues are earned but not available and therefore are deferred in the funds.	9,951
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	44,100
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Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(30,960)	
Accrued interest on bonds	(561)	
Capital leases	(23,424)	
Obligations under other financing arrangements	(10,555)	
Compensated absences	(101,533)	
Claims and judgments	<u>(154,954)</u>	<u>(321,987)</u>

<b>Net assets of governmental activities</b>	<u><u>\$ 7,976,974</u></u>
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## State of Nebraska

# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended June 30, 2003

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
<b>REVENUES:</b>							
Income Taxes	\$ 1,237,075	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,237,075
Sales and Use Taxes	1,057,925	155,789	-	-	-	1,907	1,215,621
Petroleum Taxes	6,529	290,228	-	-	1,312	13,129	311,198
Excise Taxes	66,292	-	-	4,965	-	35,970	107,227
Business and Franchise Taxes	39,321	-	-	-	-	20,169	59,490
Other Taxes	17,234	3,153	-	-	-	4,800	25,187
Federal Grants and Contracts	30,310	184,072	1,553,052	331	-	38,612	1,806,377
Licenses, Fees and Permits	18,935	66,846	120	3,153	791	87,472	177,317
Charges for Services	3,390	12,687	11,978	23,823	-	22,592	74,470
Investment Income	9,843	6,389	2,238	11,556	16,067	25,132	71,225
Rents and Royalties	7	310	113	199	22,320	21,612	44,561
Surcharge	-	-	-	-	-	60,270	60,270
Other	2,105	3,730	7,121	83,958	11,958	27,006	135,878
<b>TOTAL REVENUES</b>	<b>2,488,966</b>	<b>723,204</b>	<b>1,574,622</b>	<b>127,985</b>	<b>52,448</b>	<b>358,671</b>	<b>5,325,896</b>
<b>EXPENDITURES:</b>							
Current:							
General Government	108,745	-	4,203	-	-	18,494	131,442
Conservation of Natural Resources	29,239	-	20,527	-	-	38,950	88,716
Culture – Recreation	5,646	-	2,215	-	-	18,983	26,844
Economic Development and Assistance	6,414	-	60,581	-	-	16,383	83,378
Education	925,898	-	224,194	-	32,469	25,485	1,208,046
Higher Education - Colleges and University	446,970	-	-	-	-	14,355	461,325
Health and Social Services	834,779	-	1,227,055	154,986	-	2,334	2,219,154
Public Safety	171,117	-	39,431	-	-	25,729	236,277
Regulation of Business and Professions	3,012	-	1,058	-	-	112,490	116,560
Transportation	438	732,648	-	-	-	19,724	752,810
Intergovernmental	100,082	-	-	-	-	20,706	120,788
Capital Projects	-	-	-	-	-	27,773	27,773
Debt Service:							
Principal	-	-	-	-	-	3,830	3,830
Interest	-	-	-	-	-	1,934	1,934
<b>TOTAL EXPENDITURES</b>	<b>2,632,340</b>	<b>732,648</b>	<b>1,579,264</b>	<b>154,986</b>	<b>32,469</b>	<b>347,170</b>	<b>5,478,877</b>
Excess of Revenues Over (Under)							
Expenditures	(143,374)	(9,444)	(4,642)	(27,001)	19,979	11,501	(152,981)
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers In	74,091	2,058	-	747	-	70,929	147,825
Transfers Out	(28,490)	(19,352)	(10,866)	(800)	-	(67,213)	(126,721)
Proceeds from Other Financing Arrangements	-	-	-	-	-	4,950	4,950
Proceeds from Capital Leases	29	-	34	-	-	-	63
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>45,630</b>	<b>(17,294)</b>	<b>(10,832)</b>	<b>(53)</b>	<b>-</b>	<b>8,666</b>	<b>26,117</b>
Net Change in Fund Balances	(97,744)	(26,738)	(15,474)	(27,054)	19,979	20,167	(126,864)
<b>FUND BALANCES, JULY 1</b>	<b>80,699</b>	<b>154,376</b>	<b>27,095</b>	<b>301,410</b>	<b>295,144</b>	<b>577,249</b>	<b>1,435,973</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ (17,045)</b>	<b>\$ 127,638</b>	<b>\$ 11,621</b>	<b>\$ 274,356</b>	<b>\$ 315,123</b>	<b>\$ 597,416</b>	<b>\$ 1,309,109</b>

# RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2003

**Net change in fund balances—total governmental funds** **\$ (126,864)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. Sales of capital assets are reported as revenues. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay, net of gains or losses	203,465	
Depreciation expense	<u>(37,457)</u>	166,008

Bond proceeds and other financing arrangements provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:

Other financing arrangements	<u>(4,950)</u>	(4,950)
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Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability. (63)

Repayment of long-term debt and other financing arrangements is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year these amounts consisted of:

Bond principal retirement	2,250	
Other financing arrangement payments	1,580	
Capital lease payments	<u>544</u>	4,374

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities. (13,463)

Because some revenues will not be collected in the next year, they are not considered available revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year. 2,194

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported in as expenditures in governmental funds. These activities consist of:

Increase in accrued interest	(14)	
Increase in compensated absences	(8,183)	
Increase in claims and judgments	<u>(145,436)</u>	<u>(153,633)</u>

**Change in net assets of governmental activities** **\$ (126,397)**

State of Nebraska  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2003

(Dollars in Thousands)

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			<b>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</b>
	<b>UNEMPLOYMENT COMPENSATION</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTALS</b>	
<b>ASSETS</b>				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 154,978	\$ 18,823	\$ 173,801	\$ 64,399
Receivables, net of allowance	22,273	5,098	27,371	1,181
Due from Other Funds	-	424	424	44,467
Inventories	-	1,281	1,281	205
Prepaid Items	-	343	343	1,242
<b>TOTAL CURRENT ASSETS</b>	<b>177,251</b>	<b>25,969</b>	<b>203,220</b>	<b>111,494</b>
RESTRICTED ASSETS:				
Long-Term Deposits	-	2,470	2,470	-
NONCURRENT ASSETS:				
Long-Term Investments	38,558	49,097	87,655	-
Securities Lending Collateral	11,019	8,134	19,153	-
Capital Assets:				
Buildings and Equipment	162	10,141	10,303	57,649
Less Accumulated Depreciation	(141)	(3,599)	(3,740)	(37,691)
Total Capital Assets, net	21	6,542	6,563	19,958
<b>TOTAL NONCURRENT ASSETS</b>	<b>49,598</b>	<b>63,773</b>	<b>113,371</b>	<b>19,958</b>
<b>TOTAL ASSETS</b>	<b>\$ 226,849</b>	<b>\$ 92,212</b>	<b>\$ 319,061</b>	<b>\$ 131,452</b>
<b>LIABILITIES AND NET ASSETS</b>				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 3,243	\$ 5,221	\$ 8,464	\$ 10,563
Due to Other Funds	-	1,080	1,080	1,608
Capital Lease Obligations	-	-	-	2,514
Claims, Judgments and Compensated Absences	19,183	12,158	31,341	23,520
Deferred Revenue	-	3,990	3,990	293
<b>TOTAL CURRENT LIABILITIES</b>	<b>22,426</b>	<b>22,449</b>	<b>44,875</b>	<b>38,498</b>
NONCURRENT LIABILITIES:				
Capital Lease Obligations	-	-	-	3,898
Claims, Judgments and Compensated Absences	51	38,259	38,310	44,956
Obligations under Securities Lending	11,019	8,134	19,153	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>11,070</b>	<b>46,393</b>	<b>57,463</b>	<b>48,854</b>
<b>TOTAL LIABILITIES</b>	<b>33,496</b>	<b>68,842</b>	<b>102,338</b>	<b>87,352</b>
NET ASSETS:				
Invested in Capital Assets, net of related debt	21	6,542	6,563	13,546
Restricted for:				
Lottery Prizes, Noncurrent	-	2,470	2,470	-
Unemployment Compensation Benefits	193,332	-	193,332	-
Unrestricted	-	14,358	14,358	30,554
<b>TOTAL NET ASSETS</b>	<b>193,353</b>	<b>23,370</b>	<b>216,723</b>	<b>44,100</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 226,849</b>	<b>\$ 92,212</b>	<b>\$ 319,061</b>	<b>\$ 131,452</b>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended June 30, 2003

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT COMPENSATION	NONMAJOR ENTERPRISE FUNDS	TOTALS	
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 123,393	\$ 92,801	\$ 216,194	\$ 253,652
Other	-	-	-	2,722
TOTAL OPERATING REVENUES	<u>123,393</u>	<u>92,801</u>	<u>216,194</u>	<u>256,374</u>
<b>OPERATING EXPENSES:</b>				
Personal Services	67	3,790	3,857	36,832
Services and Supplies	212	20,410	20,622	99,015
Lottery Prizes	-	42,984	42,984	-
Unemployment Claims	160,380	-	160,380	-
Insurance Claims	-	13,463	13,463	129,820
Depreciation	5	707	712	5,512
TOTAL OPERATING EXPENSES	<u>160,664</u>	<u>81,354</u>	<u>242,018</u>	<u>271,179</u>
Operating Income (Loss)	<u>(37,271)</u>	<u>11,447</u>	<u>(25,824)</u>	<u>(14,805)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment Income	10,522	6,157	16,679	2,663
Gain (Loss) on Sale of Capital Assets	-	-	-	(1,023)
Other	-	-	-	576
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>10,522</u>	<u>6,157</u>	<u>16,679</u>	<u>2,216</u>
Income (Loss) Before Transfers	(26,749)	17,604	(9,145)	(12,589)
Transfers Out	-	(20,230)	(20,230)	(874)
Change in Net Assets	(26,749)	(2,626)	(29,375)	(13,463)
<b>NET ASSETS, JULY 1</b>	<u>220,102</u>	<u>25,996</u>	<u>246,098</u>	<u>57,563</u>
<b>NET ASSETS, JUNE 30</b>	<u><u>\$ 193,353</u></u>	<u><u>\$ 23,370</u></u>	<u><u>\$ 216,723</u></u>	<u><u>\$ 44,100</u></u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2003

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT COMPENSATION	NONMAJOR ENTERPRISE FUNDS	TOTALS	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 119,264	\$ 88,934	\$ 208,198	\$ 10,309
Cash Received from Interfund Charges	-	5,066	5,066	239,205
Cash Paid to Employees	(64)	(3,811)	(3,875)	(36,248)
Cash Paid to Suppliers	(274)	(17,902)	(18,176)	(77,135)
Cash Paid for Lottery Prizes	-	(43,053)	(43,053)	-
Cash Paid for Insurance Claims	(157,475)	(7,963)	(165,438)	(118,817)
Cash Paid for Interfund Services	(10)	(1,275)	(1,285)	(16,733)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(38,559)	19,996	(18,563)	581
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Cigarette Tax Proceeds	-	-	-	1,561
Transfers Out	-	(20,099)	(20,099)	(874)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-	(20,099)	(20,099)	687
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and Construction of Capital Assets	-	(281)	(281)	(6,304)
Proceeds from Sale of Capital Assets	-	-	-	2,628
Principal Paid on Capital Leases	-	-	-	(3,150)
Interest Paid on Capital Leases	-	-	-	(985)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-	(281)	(281)	(7,811)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investment Securities	(38,558)	(165,163)	(203,721)	-
Proceeds from Sale of Investment Securities	-	165,910	165,910	-
Interest and Dividend Income	10,827	6,154	16,981	3,109
NET CASH FLOWS FROM INVESTING ACTIVITIES	(27,731)	6,901	(20,830)	3,109
NET INCREASE (DECREASE) IN CASH	(66,290)	6,517	(59,773)	(3,434)
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	221,268	12,306	233,574	67,833
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	\$ 154,978	\$ 18,823	\$ 173,801	\$ 64,399

The accompanying notes are an integral part of the financial statements.

State of Nebraska  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Continued)**  
For the Year Ended June 30, 2003

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT COMPENSATION	NON-MAJOR ENTERPRISE FUNDS	TOTALS	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	<u>\$ (37,271)</u>	<u>\$ 11,447</u>	<u>\$ (25,824)</u>	<u>\$ (14,805)</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	5	707	712	5,512
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(4,129)	(675)	(4,804)	(332)
(Increase) Decrease in Due from Other Funds	-	431	431	(6,514)
(Increase) Decrease in Inventories	-	275	275	54
(Increase) Decrease in Prepaid Items	-	(11)	(11)	(198)
(Increase) Decrease in Long-Term Deposits	-	(12)	(12)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(69)	894	825	5,053
Increase (Decrease) in Due to Other Funds	-	(3)	(3)	825
Increase (Decrease) in Claims Payable	2,905	5,500	8,405	11,003
Increase (Decrease) in Deferred Revenue		1,443	1,443	(17)
Total Adjustments	<u>(1,288)</u>	<u>8,549</u>	<u>7,261</u>	<u>15,386</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>\$ (38,559)</u></u>	<u><u>\$ 19,996</u></u>	<u><u>\$ (18,563)</u></u>	<u><u>\$ 581</u></u>
<b>NONCASH TRANSACTIONS</b> (dollars in thousands):				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Capital Assets acquired through Capital Leases	\$ -	\$ -	\$ -	\$ 1,582
Change in Fair Value of Investments	-	1,164	1,164	-
Total Noncash Transactions	<u>\$ -</u>	<u>\$ 1,164</u>	<u>\$ 1,164</u>	<u>\$ 1,582</u>

## State of Nebraska

# STATEMENT OF FIDUCIARY NET ASSETS

## FIDUCIARY FUNDS

June 30, 2003

(Dollars in Thousands)	PENSION TRUST	PRIVATE PURPOSE TRUST	AGENCY
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 3,300	\$ 16,905	\$ 83,394
Investments:			
U.S. Government Securities	647,438	-	-
Corporate Bonds	478,371	-	-
Equity Securities	965,624	-	-
Foreign Government Securities	38,238	-	-
Municipal Bonds	8,167	-	-
Pooled Investment Contracts	980,651	-	-
Mutual Funds	2,361,443	404,813	-
Total Investments	5,479,932	404,813	-
Securities Lending Collateral	319,095	-	-
Receivables:			
Contributions	14,642	-	-
Interest and Dividends	15,337	149	379
Other	-	2	576
Total Receivables	29,979	151	955
Due from Other Funds	18,045	836	3
Capital Assets:			
Buildings and Equipment	9,044	-	-
Less Accumulated Depreciation	(2,013)	-	-
Total Capital Assets, net	7,031	-	-
Other Assets	-	3,006	-
TOTAL ASSETS	<u>\$ 5,857,382</u>	<u>\$ 425,711</u>	<u>\$ 84,352</u>
<b>LIABILITIES AND NET ASSETS:</b>			
LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 5,298	\$ 11,344	13,707
Due to Other Governments	-	-	45,094
Deposits	-	740	-
Due to Other Funds	40	5	-
Obligations under Securities Lending	319,095	-	-
Capital Lease Obligations	8,000	-	-
Accrued Compensated Absences	234	-	-
Other Liabilities	-	-	25,551
TOTAL LIABILITIES	<u>332,667</u>	<u>12,089</u>	<u>84,352</u>
NET ASSETS:			
Held in Trust for:			
Pension Benefits	5,524,715	-	-
Other Purposes	-	413,622	-
TOTAL NET ASSETS	<u>5,524,715</u>	<u>413,622</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,857,382</u>	<u>\$ 425,711</u>	<u>\$ 84,352</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

# STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

## FIDUCIARY FUNDS

For the Year Ended June 30, 2003

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST
<b>ADDITIONS:</b>		
Contributions:		
Participant Contributions	\$ 122,200	\$ 188,494
Client Contributions	-	145
State Contributions	49,646	-
Political Subdivision Contributions	98,243	-
Court Fees	579	-
Total Contributions	270,668	188,639
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	68,675	22,191
Interest and Dividend Income	102,700	649
Securities Lending Income	7,671	-
Total Investment Income	179,046	22,840
Investment Expenses	10,363	797
Securities Lending Expenses	6,059	-
Total Investment Expense	16,422	797
Net Investment Income	162,624	22,043
Escheat Revenue	-	250
Other Additions	240	7,469
TOTAL ADDITIONS	433,532	218,401
<b>DEDUCTIONS:</b>		
Benefits	209,255	6,341
Refunds	10,433	-
Amounts Distributed to Outside Parties	-	5,912
Administrative Expenses	4,620	1,528
TOTAL DEDUCTIONS	224,308	13,781
Change in Net Assets Held in Trust for:		
Pension Benefits	209,224	-
Other Purposes	-	204,620
NET ASSETS-BEGINNING OF YEAR	5,315,491	209,002
NET ASSETS-END OF YEAR	\$ 5,524,715	\$ 413,622

The accompanying notes are an integral part of the financial statements.

State of Nebraska  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
June 30, 2003

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 176,689	\$ 10,641	\$ 187,330
Receivables, net of allowance			
Loans	34,901	2,730	37,631
Other	92,836	625	93,461
Due from Primary Government	-	1,349	1,349
Investments	234,015	-	234,015
Investment in Joint Venture	131,516	-	131,516
Other Assets	43,832	600	44,432
Restricted Assets:			
Cash and Cash Equivalents	238,398	12,443	250,841
Investments Held by Trustee	-	3,077	3,077
Capital assets:			
Land	45,071	557	45,628
Infrastructure	73,972	11,104	85,076
Construction in Progress	101,346	20,215	121,561
Buildings and Equipment	1,175,045	98,485	1,273,530
Less Accumulated Depreciation	(472,817)	(48,407)	(521,224)
Total Capital Assets, net of depreciation	<u>922,617</u>	<u>81,954</u>	<u>1,004,571</u>
Total Assets	<u>\$ 1,874,804</u>	<u>\$ 113,419</u>	<u>\$ 1,988,223</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 70,923	\$ 5,914	\$ 76,837
Deposits	-	354	354
Deferred Revenue	66,648	291	66,939
Noncurrent Liabilities:			
Due within one year	34,647	3,827	38,474
Due in more than one year	301,118	29,241	330,359
Total Liabilities	<u>\$ 473,336</u>	<u>\$ 39,627</u>	<u>\$ 512,963</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	\$ 628,781	\$ 51,291	\$ 680,072
Restricted for:			
Education	109,879	-	109,879
Other Purposes	317,727	3,962	321,689
Construction and Debt Service	141,464	13,512	154,976
Unrestricted	203,617	5,027	208,644
Total Net Assets	<u>\$ 1,401,468</u>	<u>\$ 73,792</u>	<u>\$ 1,475,260</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska  
**STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
For the Year Ended June 30, 2003

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
Operating Expenses:			
Compensation and benefits	\$ 757,497	\$ 44,061	\$ 801,558
Supplies and materials	179,262	5,199	184,461
Contractual services	57,344	1,957	59,301
Repairs and maintenance	45,691	891	46,582
Utilities	23,494	2,825	26,319
Communications	13,828	1,013	14,841
Depreciation	53,182	2,894	56,076
Scholarships and fellowships	88,855	1,133	89,988
Other	-	6,351	6,351
Total Operating Expenses	<u>1,219,153</u>	<u>66,324</u>	<u>1,285,477</u>
Program Revenues:			
Charges for Services	450,827	20,063	470,890
Operating Grants and Contributions	310,801	7,163	317,964
Capital Grants and Contributions	27,075	-	27,075
Total Program Revenues	<u>788,703</u>	<u>27,226</u>	<u>815,929</u>
Net (Expense) Revenue	<u>(430,450)</u>	<u>(39,098)</u>	<u>(469,548)</u>
General Revenue:			
Interest and investment earnings	3,906	1,155	5,061
Payments from the State of Nebraska	422,002	39,323	461,325
Miscellaneous	69,039	4,644	73,683
Total General Revenues	<u>494,947</u>	<u>45,122</u>	<u>540,069</u>
Change in Net Assets Before Change in Accounting Principle	64,497	6,024	70,521
Cumulative Effect of Change in Accounting Principle	<u>(15,572)</u>	<u>-</u>	<u>(15,572)</u>
Change in Net Assets	48,925	6,024	54,949
Net Assets - Beginning	<u>1,352,543</u>	<u>67,768</u>	<u>1,420,311</u>
Net Assets - Ending	<u>\$ 1,401,468</u>	<u>\$ 73,792</u>	<u>\$ 1,475,260</u>

*The accompanying notes are an integral part of the financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2003

(dollars expressed in thousands)

## 1. Summary of Significant Accounting Policies

**A. Basis of Presentation.** The accompanying basic financial statements of the State of Nebraska (the "State") and its component units have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The basic financial statements have been prepared primarily from accounts maintained by the State Accounting Administrator of the Department of Administrative Services. Additional data has been derived from audited financial statements of certain entities and from reports prescribed by the State Accounting Administrator and prepared by various State agencies and departments based on independent or subsidiary accounting systems maintained by them.

**B. Reporting Entity.** In determining its financial reporting entity, the State has considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the State, or the significance of their relationship with the State are such that exclusion would be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

As required by GAAP, these financial statements present the State and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State. Complete financial statements of the individual component units that issue separate financial statements, as noted below, can be obtained from their respective administrative offices.

**Blended Component Units.** The following component units are entities that are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate funds.

**NETC Leasing Corporation.** The NETC Leasing Corporation is a nonprofit corporation formed by

the State in 1999 to acquire property to be leased to and purchased by the Nebraska Educational Telecommunications Commission (NETC), a State agency. The Governor appoints the members of the Board of Commissioners of the NETC and they in turn appoint and elect the five members of the Board of Directors of the NETC Leasing Corporation. Even though it is legally separate, the NETC Leasing Corporation is reported as if it were part of the State because it provides services entirely to the State.

**Nebraska State Building Corporation.** The Nebraska State Building Corporation (NSBC) is a nonprofit corporation formed by the State in 1987 to finance the acquisition of property to be used by the State. Even though it is legally separate, the NSBC is reported as if it were part of the State because it provides services entirely to the State.

**Discretely Presented Component Units.** The following component units are entities that are legally separate from the State, but are financially accountable to the State, or their relationships with the State are such that their exclusion would cause the State's financial statements to be misleading or incomplete. The component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the State and governed by separate boards.

**Nebraska State College System.** The Board of Trustees of the Nebraska State Colleges governs Chadron State College, Peru State College and Wayne State College. The Board of Trustees is also the Board of Directors of the Nebraska State Colleges Facilities Corporation, a nonprofit corporation incorporated in 1983 to finance the repair or construction of buildings or the acquisition of equipment for use by the State Colleges. The Board of Trustees consists of the Commissioner of Education and six members appointed by the Governor. Audit reports have been issued under separate cover.

**University of Nebraska.** The University of Nebraska consists of the following campuses: University of Nebraska – Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney, and University of Nebraska Medical Center. The University of Nebraska is governed by an elected eight-member Board of Regents. The University's financial reporting entity also consists of the following units: the University of Nebraska Facilities Corporation, a nonprofit corporation organized by the Board of Regents in 1930 to finance the construction and repair of

buildings and hold them in trust for the University of Nebraska; the University Medical Associates, organized for the purpose of billing medical service fees generated by university clinicians; UNEMed, organized to develop and market biomedical technologies for the university; the University Dental Associates, organized for the purpose of billing dental service fees generated by university dentists; and the Nebraska Utility Corporation, formed to purchase, lease, construct and finance activities relating to energy requirements of the University of Nebraska-Lincoln. The University of Nebraska is included as a component unit because it is fiscally dependant on the State. Audit reports have been issued under separate cover.

The university and colleges are funded chiefly through State appropriations, tuition, federal grants, private donations and grants, and auxiliary operations.

**Related Organizations.** The State's officials are responsible for appointing members of boards of other organizations, but the State's accountability for these organizations does not extend beyond making these appointments. The Governor appoints the boards of the following organizations: Nebraska Educational Facilities Authority, Nebraska Investment Finance Authority, Research and Development Authority, and Wyuka Cemetery.

**C. Government-Wide and Fund Financial Statements.** The basic financial statements include both government-wide and fund financial statements. The reporting model based on the GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* focuses on the State as a whole in the government-wide financial statements and major individual funds in the fund financial statements. The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

**Investment in Capital Assets, net of related debt.** This category reflects the portion of net assets associated with capital assets, net of accumulated depreciation and reduced by outstanding bonds and other debt that are attributed to the acquisition, construction or improvement of those assets.

**Restricted Net Assets.** This category results when constraints are externally imposed on net asset use by creditors, grantors or contributors, or imposed by law through constitutional provisions or enabling legislation.

It is the policy of the State to spend restricted net assets only when unrestricted net assets are insufficient or unavailable.

**Unrestricted Net Assets.** This category represents net assets that do not meet the definition of the preceding two categories. Unrestricted net assets often have constraints on resources that are imposed by management, but those constraints can be removed or modified.

The Statement of Net Assets reports total unrestricted net assets of \$134,471. A significant portion of these net assets relate to the Health and Social Services Fund. While this fund is reported as unrestricted, a significant portion of the fund has statutory provisions requiring the fund be spent on nursing facilities, medical assistance programs and tobacco prevention and control. Furthermore, the public has been led to believe such fund will be used for health related purposes, even though enabling legislation is lacking for the entire amount of such fund.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are reflected in the general government function. Administrative overhead charges of internal service funds are included in direct expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; and 3) investment earnings of permanent funds that are legally restricted for a specific program. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

**D. Basis of Accounting.** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. With the economic resources measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as they become susceptible to accrual; generally when they become both measurable and available, i.e., earned and collected within the next 60 days, except for federal reimbursement grants which use a one year availability period. Revenues are generally considered to be susceptible to accrual when the underlying transaction takes place or when eligibility requirements are met. Major revenues that are determined to be susceptible to accrual include sales taxes, income taxes, other taxpayer-assessed tax revenues, unemployment compensation taxes, federal grants and contracts, charges for services, and investment income. All other revenue items, including estate taxes, are considered to be measurable and available when cash is received by the State. Receivables not expected to be collected in the next 60 days (or 12 months in the case of federal reimbursement grants) are offset by deferred revenue.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

The State reports the following major governmental funds:

**General Fund.** This is the State's primary operating fund. It reflects transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.

**Highway Fund.** This fund accounts for the maintenance and preservation of State highways financed with sales tax on motor vehicles, gas taxes, federal aid and other highway user fees.

**Federal Fund.** This fund accounts for substantially all federal monies received by the State, except those received by the Highway Fund.

**Health and Social Services Fund.** This fund accounts for activities of agencies, boards, and commissions providing health care and social services financed primarily by user fees and tobacco settlement proceeds.

**Permanent School Fund.** This fund receives proceeds from any sale of the school lands held in trust for public education; payments for easements and rights-of-way over these lands; royalties and severance taxes paid on oil, gas and minerals produced from this lands; escheats; unclaimed property and other items provided by law. Income is distributed to public schools.

The State reports the following major enterprise fund:

**Unemployment Compensation Fund.** This fund accounts for the State's unemployment compensation benefits. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons.

Additionally, the State reports the following fund types:

#### **Governmental Fund Types:**

**Special Revenue Funds.** Reflect transactions related to resources received and used for restricted or specific purposes.

**Capital Projects Fund.** Reflects transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities.

**Permanent Funds.** Reflects transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens, such as veterans, state airports and others.

#### **Proprietary Fund Types:**

**Enterprise Funds.** Reflect transactions used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

**Internal Service Funds.** These funds account for fleet management, facilities management, accounting, risk management, communication, information technology, printing, purchasing,

and postal services provided to other funds on a cost reimbursement basis.

#### **Fiduciary Fund Types:**

**Pension Trust Funds.** These funds account for State Employee Retirement System, County Employee Retirement System, School Retirement System, Judges Retirement System, State Patrol Retirement System and Deferred Compensation pension benefits.

**Private Purpose Trust Funds.** These funds account for property escheated to the State held for private individuals, Nebraska College Savings Plan activity held for private individuals and assets held for clients and inmates.

**Agency Funds.** These funds account for assets held by the State pending distribution to other governments and individuals.

In reporting the financial activity of its proprietary funds, the State applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

- E. Cash and Cash Equivalents.** In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements, and U.S. treasury bills having original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2003, approximates market. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

Cash and cash equivalents are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash

account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council that maintains an operational investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool.

- F. Investments.** Investments as reported in the basic financial statements include long-term investments. Law or legal instruments may restrict these investments. All investments of the State and its component units are stated at fair value based on quoted market prices. Investments are under the control of the State Treasurer or other administrative bodies as determined by law.

- G. Receivables.** Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions.

- H. Inventories.** Inventories of materials and supplies are determined by both physical counts and through perpetual inventory systems. Significant inventories of governmental funds are valued using weighted average cost. Proprietary Funds' valuation method is primarily at the lower of cost (first-in, first-out) or market. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Food stamps and commodities on hand at fiscal year end are reflected as inventories, offset by a like amount of deferred revenue, in the Federal Fund. Food stamp inventory is reported at face value and commodities are reported at fair values established by the federal government at the date received.

- I. Restricted Assets.** Assets held by the trustees for the NETC Leasing Corporation, the Nebraska State Building Corporation, the State Revolving Fund, and the Master Lease Purchase Program are classified as restricted assets on the Statement of Net Assets because they are maintained in separate bank accounts and their use is limited by applicable bond and lease covenants. These assets are reflected as cash on deposit with fiscal agents in the fund financial statements. The nonmajor enterprise funds reflect long-term deposits with the Multi-State Lottery as restricted assets.

- J. Capital Assets.** Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the Statement of Net Assets. All capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The State possesses certain assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These collections are not capitalized by the State because they are (1) held for public exhibition, education or research in furtherance of public service, rather than financial gain, (2) protected, kept unencumbered, cared for and preserved, and (3) subject to an agency policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. These assets include works of art and historical treasures, such as statues; historical documents; paintings; rare library books; and miscellaneous capitol-related artifacts and furnishings.

Generally, equipment that has a cost in excess of \$5 at the date of acquisition and has an expected useful life of two or more years is capitalized. Substantially all initial building costs, land and land improvements costing in excess of \$100 are capitalized. Building improvements and renovations in excess of \$100 are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings and equipment are depreciated using the straight-line method. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	3-10 years

The State has elected to use the “modified approach” to account for certain infrastructure assets, as provided in GASB Statement No. 34. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: commit to maintaining and preserving affected assets at or above a condition level established by the State; maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained; and make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. Roads and bridges maintained by the Department of Roads are accounted for using the modified approach.

**K. Compensated Employee Absences.** All permanent employees earn sick and annual leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. The

liability has been calculated using the vesting method, in which leave amounts, for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

State employees accrue vested annual leave at a variable rate based on years of service. Generally, accrued annual leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 220 days (or 180 days for non-union employees). Sick leave is not vested except upon death or upon reaching the age of 55, at which time, the State is liable for 25 percent of the employee’s accumulated sick leave. In addition, some State agencies permit employees to accumulate compensatory leave rather than paying overtime.

The government-wide, proprietary, and fiduciary fund financial statements recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

**L. Reservations.** Reservations of fund balance are established to identify the existence of assets that are not available for subsequent year appropriations (i.e., prepaid items and inventories) or have been legally segregated for specific purposes. Assets of legally restricted budgetary funds are an example of this type of reservation. Reservations of fund balance are also established for assets that are not current in nature, such as long-term loans receivable.

**M. Interfund Transactions.** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

The effect of interfund activity has been eliminated from the government-wide financial statements.

**N. Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. Deposits and Investments Portfolio

Listed below is a summary of the deposit and investment portfolio that comprises the Cash and Cash

Equivalents and Investments on the June 30, 2003, basic financial statements. All securities purchased or held must either be in the custody of the State or deposited with an agent in the State's name.

**Deposits.** At June 30, 2003, the carrying amounts of the State's deposits were \$141,410 and the bank balances were \$201,540. All bank balances were covered by federal depository insurance or by collateral held by the State's agent in the State's name.

State Statutes require that the aggregate amount of collateral securities deposited by a bank with the State Treasurer shall be at least one hundred two percent of the amount of public funds deposited in that bank, less the amount insured by the Federal Deposit Insurance Corporation. During the year the amount of public funds deposited with a bank occasionally exceeded the amount of collateral required by statute. The State Treasurer had compensating balance agreements with various banks totaling \$74,288 at June 30, 2003.

**Investments.** State Statute Section 72-1246 authorizes the State Investment Officer to invest the State's funds in accordance with the prudent person rule. Certain State entities are also allowed by statute to invest in real estate and other investments.

The State's investments are categorized to give an indication of the level of custodial risk assumed by the State at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the State's name.

The Pension Funds own approximately 62 percent of the investments that are in Category 1.

#### STATE'S INVESTMENTS AT JUNE 30, 2003

	CATEGORY			TOTAL FAIR VALUE
	1	2	3	
U.S. Government Securities	\$ 1,171,285	\$ 4,447	\$ -	\$ 1,175,732
Corporate Bonds	775,861	-	-	775,861
Equity Securities				
Not on Securities Loan	1,012,342	-	-	1,012,342
On Securities Loan	6			6
Collateral Mortgage Obligations	127,555	-	-	127,555
Foreign Government Securities	38,238	-	-	38,238
Municipal Bonds	10,899	-	-	10,899
	<u>\$ 3,136,186</u>	<u>\$ 4,447</u>	<u>\$ -</u>	3,140,633
UNCATEGORIZED:				
Pooled Investment Contracts				976,091
Investment in U.S. Treasury				
Investment Pool				147,913
Investments held by Broker-Dealers				
Under Securities Loans				
U.S. Government Securities				423,072
Corporate Bonds				33,756
Equity Securities				94,139
Securities Lending Short-term Collateral				
Investment Pool				564,008
Mutual Funds				3,010,843
Less: Component Unit Investment				
in State Investment Pool				(295,896)
Total Investments				<u>\$ 8,094,559</u>

A reconciliation of deposits and investments for the State to the basic financial statements at June 30, 2003, is as follows:

**Disclosure Regarding Deposits and Investments:**

Total Investments	\$ 8,094,559
Carrying amount of Deposits	141,410
Total	<u>\$ 8,235,969</u>

**Statement of Net Assets:**

Cash and Cash Equivalents	\$ 433,472
Investments	1,215,768
Restricted Cash and Cash Equivalents	34,377
Securities Lending Collateral	244,913

**Statement of Fiduciary Net Assets:**

Cash and Cash Equivalents	103,599
Investments	5,884,745
Securities Lending Collateral	319,095
Total	<u>\$ 8,235,969</u>

**Securities Lending Transactions.** The State participates in securities lending transactions, where securities are loaned to broker-dealers and banks with a simultaneous agreement to return the collateral for the same securities in the future. The State's custodial bank administers the securities lending program and receives cash, United States government or government agency obligations, or convertible bonds at least equal in value to the market value of the loaned securities as collateral for securities of the type on loan at year-end. Securities lent at year-end for cash collateral are presented as uncategorized in the preceding schedule of custodial risk; securities lent for securities collateral are classified according to the category for the collateral. At year-end, the State had no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. There are no restrictions on the amount of securities that can be loaned, and there were no losses resulting from borrower default during the year.

Either the State or the borrowers can terminate all securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had average durations of 67 and 70 days. Because loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. There is no loss indemnification provided to the State by the contract with the custodian.

**Derivative Financial Instruments.** Derivative instruments are financial contracts whose underlying values depend on the values of one or more underlying assets, reference rates or financial indices. The State invests in collateral mortgage obligations and futures contracts. Collateral mortgage obligations are traded on exchanges and carried at fair value. Futures represent commitments to purchase or sell securities or money market

instruments at a future date and at a specific price. The State invests in futures contracts related to securities of the U.S. Government or Government Agency obligations, which are traded on organized exchanges, thereby minimizing the State's credit risk. The net change in the futures contract value is settled daily in cash with the exchanges. At June 30, 2003, the State held futures contracts with a par value of \$349,213 of and a market value of \$0.

**Component Units**

**Deposits.** At June 30, 2003, the carrying amounts of the Component Units' deposits were \$1,973 and the bank balances were \$2,408. Of the bank balances, \$1,753 was covered by federal depository insurance or by collateral held by the component units' agent in the component units' name, \$369 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the component units' name and \$286 was not collateralized.

**Investments.** Component unit investments are all classified as category 3 investments, except for mutual funds, which are not categorized. Investments for the component units at June 30, 2003, consist of the following:

U.S. Government Securities	\$ 55,242
Corporate Bonds	100,393
Mutual Funds	81,457
Total Investments	<u>\$ 237,092</u>

The investments for the component units are presented on the Statement of Net Assets at June 30, 2003, as follows:

**Statement of Net Assets:**

Investments	\$ 234,015
Restricted Other Assets	3,077
Total	<u>\$ 237,092</u>

**3. Receivables**

Receivables are reflected net of allowances for doubtful accounts. The following are such related allowances listed by major fund at June 30, 2003:

**Governmental Activities:**

General Fund	\$ 7,060
Federal Fund	10,877
Health and Social Services Fund	5,375
Total Governmental Activities	<u>\$ 23,312</u>

**Business-type Activities:**

Unemployment Compensation	\$ 4,738
Total Business-type Activities	<u>\$ 4,738</u>

Of the taxes receivable, \$9,951 is not expected to be collected within the next 60 days. This amount has been offset by deferred revenue in the General Fund.

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2003, was as follows:

	<b>BEGINNING BALANCE</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>ENDING BALANCE</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 438,290	\$ 20,032	\$ 152	\$ 458,170
Infrastructure	5,980,917	100,930	-	6,081,847
Construction in progress	29,856	32,824	5,479	57,201
Total capital assets, not being depreciated	<u>6,449,063</u>	<u>153,786</u>	<u>5,631</u>	<u>6,597,218</u>
Capital assets, being depreciated:				
Buildings and improvements	420,510	4,495	1,296	423,709
Equipment	286,014	59,267	27,950	317,331
Total capital assets, being depreciated	<u>706,524</u>	<u>63,762</u>	<u>29,246</u>	<u>741,040</u>
Less accumulated depreciation for:				
Buildings and improvements	171,702	9,647	1,296	180,053
Equipment	192,649	33,322	23,525	202,446
Total accumulated depreciation	<u>364,351</u>	<u>42,969</u>	<u>24,821</u>	<u>382,499</u>
Total capital assets, being depreciated, net	<u>342,173</u>	<u>20,793</u>	<u>4,425</u>	<u>358,541</u>
Governmental activities capital assets, net	<u>\$ 6,791,236</u>	<u>\$ 174,579</u>	<u>\$ 10,056</u>	<u>\$ 6,955,759</u>
<b>Business-type activities:</b>				
<b>Unemployment Compensation</b>				
Equipment, being depreciated	\$ 177	\$ -	\$ 15	\$ 162
Less accumulated depreciation	151	5	15	141
Total Unemployment Compensation, net	<u>26</u>	<u>(5)</u>	<u>-</u>	<u>21</u>
<b>Nonmajor Enterprise Funds</b>				
Capital assets, not being depreciated:				
Land	315	-	-	315
Total capital assets, not being depreciated	<u>315</u>	<u>-</u>	<u>-</u>	<u>315</u>
Capital assets, being depreciated:				
Buildings and improvements	5,695	147	-	5,842
Equipment	3,929	134	79	3,984
Total capital assets, being depreciated	<u>9,624</u>	<u>281</u>	<u>79</u>	<u>9,826</u>
Less accumulated depreciation for:				
Buildings and improvements	1,034	253	-	1,287
Equipment	1,937	454	79	2,312
Total accumulated depreciation	<u>2,971</u>	<u>707</u>	<u>79</u>	<u>3,599</u>
Total capital assets, being depreciated, net	<u>6,653</u>	<u>(426)</u>	<u>-</u>	<u>6,227</u>
Total Nonmajor Enterprise, net	<u>6,968</u>	<u>(426)</u>	<u>-</u>	<u>6,542</u>
Business-type activities capital assets, net	<u>\$ 6,994</u>	<u>\$ (431)</u>	<u>\$ -</u>	<u>\$ 6,563</u>

Current period depreciation expense was charged to functions of the primary government as follows:

<b>Governmental activities:</b>	
General Government	\$ 10,786
Conservation of Natural Resources	1,995
Culture – Recreation	1,498
Economic Development and Assistance	284
Education	4,157
Health and Social Services	1,366
Public Safety	7,178
Regulation of Business and Professions	400
Transportation	15,305
Total depreciation expense -	
Governmental activities	<u>\$ 42,969</u>

**Construction Commitments.** At June 30, 2003, the State had contractual commitments of approximately \$552,946 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

Federal funds	\$ 126,107
State funds	396,839
Local funds	30,000
	<u>\$ 552,946</u>

Most of these commitments will not be reflected as capital asset increases when they are paid because the State is using the modified approach to account for infrastructure. Under this method, capital asset additions are only reflected when improvements expand the capacity or efficiency of an asset.

**5. Interfund Balances**

Due To/From Other Funds at June 30, 2003, consists of the following:

	<b>DUE TO</b>								<b>TOTALS</b>
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	
<b>DUE FROM</b>									
General Fund	\$ 5	\$ 8	\$ -	\$ 339	\$ 46	\$ 164	\$ 38,100	\$ 16,443	\$ 55,105
Highway Fund	-	-	-	-	31	10	4	-	45
Federal Fund	84,057	2	467	8,189	2,332	207	3,841	2	99,097
Health and Social Services	-	-	-	38	41	4	104	-	187
Permanent School Fund	-	-	-	-	-	-	-	836	836
Nonmajor Governmental Funds	5,381	3	37	20	54	32	1,450	1,599	8,576
Nonmajor Enterprise Funds	-	8	-	10	1,030	-	32	-	1,080
Internal Service Funds	63	504	-	-	136	6	895	4	1,608
Fiduciary Funds	-	-	-	-	3	1	41	-	45
<b>TOTALS</b>	<b>\$ 89,506</b>	<b>\$ 525</b>	<b>\$ 504</b>	<b>\$ 8,596</b>	<b>\$ 3,673</b>	<b>\$ 424</b>	<b>\$ 44,467</b>	<b>\$ 18,884</b>	<b>\$ 166,579</b>

Interfund receivables and payables are recorded for: (1) short term borrowings, (2) billing for services provided between agencies, (3) pension liabilities, and (4) risk management liabilities. All interfund receivables and payables are considered short term in nature, except for \$35,700 due from the General Fund to internal service funds for workers compensation liability.

Interfund transfers at June 30, 2003, consist of the following:

	<b>TRANSFERRED TO:</b>				<b>TOTALS</b>
	General Fund	Highway Fund	Health and Social Services	Nonmajor Governmental Funds	
<b>TRANSFERRED FROM:</b>					
General Fund	\$ -	\$ -	\$ -	\$ 28,490	\$ 28,490
Highway Fund	14,400	-	-	4,952	19,352
Federal Fund	-	-	-	10,866	10,866
Health & Social Services Fund	800	-	-	-	800
Nonmajor Governmental Funds	58,017	2,058	50	7,088	67,213
Nonmajor Enterprise Funds	-	-	697	19,533	20,230
Internal Service Funds	874	-	-	-	874
<b>TOTALS</b>	<b>\$ 74,091</b>	<b>\$ 2,058</b>	<b>\$ 747</b>	<b>\$ 70,929</b>	<b>\$ 147,825</b>

Transfers are used to (1) move revenues from the fund that statutes require to collect them to the fund that statutes require to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) move profits from the State Lottery Fund as required by law.

## 6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as presented in the basic financial statements at June 30, 2003, consists of the following:

	General Fund	Highway Fund	Federal Fund	Health and Social Services	Permanent School Fund	Nonmajor Governmental Funds	Other Funds	Unemployment Compensation	Nonmajor Enterprise Funds	TOTALS
Payroll and Withholdings	\$ 8,499	\$ 4,241	\$ 2,204	\$ 381	\$ -	\$ 1,432	\$ 940	\$ 1	\$ 144	\$ 17,842
Payables and Accruals	75,983	51,924	66,775	34,867	132	15,382	9,140	3,202	5,077	262,482
Due to Fiduciary Funds *	-	-	-	-	-	-	18,884	-	-	18,884
Miscellaneous	714	84	-	237	-	209	372	40	-	1,656
<b>TOTALS</b>	<b>\$ 85,196</b>	<b>\$ 56,249</b>	<b>\$ 68,979</b>	<b>\$ 35,485</b>	<b>\$ 132</b>	<b>\$ 17,023</b>	<b>\$ 29,336</b>	<b>\$ 3,243</b>	<b>\$ 5,221</b>	<b>\$ 300,864</b>

\* This amount represents amounts due to fiduciary funds, which were classified as external payables on the government-wide Statement of Net Assets.

## 7. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2003, are summarized as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<b>Governmental Activities:</b>					
Claims Payable	\$ 54,827	\$ 1,671,988	\$ 1,344,354	\$ 382,461	\$ 186,931
Bonds Payable	33,210	-	2,250	30,960	3,695
Capital Lease Obligations	31,885	1,646	3,695	29,836	3,580
Obligations Under Other Financing Arrangements	7,185	4,950	1,580	10,555	450
Compensated Absences	97,971	21,129	12,450	106,650	15,388
<b>Totals</b>	<b>\$ 225,078</b>	<b>\$ 1,699,713</b>	<b>\$ 1,364,329</b>	<b>\$ 560,462</b>	<b>\$ 210,044</b>
<b>Business-type Activities:</b>					
<b>Unemployment Compensation:</b>					
Claims Payable	\$ 16,784	\$ 160,074	\$ 157,683	\$ 19,175	\$ 19,175
Compensated Absences	55	12	8	59	8
<b>Totals for Unemployment Compensation</b>	<b>16,839</b>	<b>160,086</b>	<b>157,691</b>	<b>19,234</b>	<b>19,183</b>
<b>Nonmajor Enterprise Funds:</b>					
Claims Payable	44,500	18,951	13,451	50,000	12,097
Compensated Absences	424	54	61	417	61
<b>Totals for Nonmajor Enterprise Funds</b>	<b>44,924</b>	<b>19,005</b>	<b>13,512</b>	<b>50,417</b>	<b>12,158</b>
<b>Totals for Business-type Activities</b>	<b>\$ 61,763</b>	<b>\$ 179,091</b>	<b>\$ 171,203</b>	<b>\$ 69,651</b>	<b>\$ 31,341</b>

Claims payable, compensated absences and capital lease obligations typically have been liquidated in the general, special revenue and internal service funds. Bonds payable and obligations under other financing arrangements have been liquidated in the special revenue funds.

## 8. Bonds Payable

Article XIII of the State's Constitution prohibits the State from incurring debt in excess of one hundred thousand dollars. However, there is a provision in the State's Constitution that permits the issuance of revenue bonds for: (1) construction of highways; and (2)

construction of water conservation and management structures. At June 30, 2003, there was no outstanding debt for either of these purposes.

The State created the NETC Leasing Corporation for the purpose of acquiring property to be leased to and purchased by the State. In February 2000, the NETC Leasing Corporation issued \$22,515 of lease rental revenue bonds to construct and acquire digital television facilities and equipment and related facilities. In May 2002, the NETC Leasing Corporation issued \$9,850 of lease rental revenue bonds to renovate facilities. The NETC Leasing Corporation is not subject to State constitutional restrictions on the incurrence of debt,

which may apply to the State itself. The obligations outstanding at June 30, 2003 are collateralized by the revenues of the NETC Leasing Corporation, which consist primarily of rental paid by the State.

The State created the Nebraska State Building Corporation (NSBC) to finance the purchase of a building used by the State for its data processing and general services operations. In September 1987, the NSBC issued \$7,700 of lease revenue bonds to finance the purchase of the building. In June 1992, the NSBC issued \$7,645 of lease revenue bonds to refund the 1987 bonds. In June 2002, the NSBC issued \$4,155 of lease revenue bonds to refund the 1992 bonds. The NSBC is not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself. The obligations outstanding at June 30, 2003 are

collateralized by the revenues of the NSBC, which consist primarily of building rental paid by the State.

The component units issue bonds for various purposes including student housing, parking facilities and special event centers. Net revenues from student housing and dining facilities, special student fees and parking facilities fees are pledged to secure the appropriate issues.

All outstanding bond issues of the University of Nebraska Facilities Corporation and the Nebraska State College Facilities Corporation are general obligations of these corporations. They are separate legal entities that are not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself. The obligations outstanding at June 30, 2003 are collateralized by a special allocation of a portion of the State cigarette tax.

<b>BONDS PAYABLE</b>	<b>DATES ISSUED</b>	<b>MATURITY DATES</b>	<b>INTEREST RATES</b>	<b>BALANCE JUNE 30, 2003</b>
<b>PRIMARY GOVERNMENT</b>				
NETC Leasing Corporation Issue	2000,2002	2001-2010	2.70%-6.00%	\$ 27,310
Nebraska State Building Corporation Issue	2002	2002-2009	1.50%-3.85%	3,650
Primary Government Total				<u>\$ 30,960</u>
<b>COMPONENT UNITS</b>				
University of Nebraska	1992-2003	1992-2032	1.20%-5.90%	\$ 253,135
Nebraska State Colleges	1999-2002	2001-2027	1.60%-5.05%	30,915
Component Units Total				<u>\$ 284,050</u>

<b>PRIMARY GOVERNMENT DEBT SERVICE REQUIREMENTS TO MATURITY</b>			
<b>YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2004	3,695	1,507	5,202
2005	3,835	1,366	5,201
2006	3,995	1,209	5,204
2007	4,195	1,014	5,209
2008	4,405	808	5,213
2009 - 2013	10,835	875	11,710
Total	<u>\$ 30,960</u>	<u>\$ 6,779</u>	<u>\$ 37,739</u>

<b>COMPONENT UNITS DEBT SERVICE REQUIREMENTS TO MATURITY</b>			
<b>YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2004	14,960	13,203	28,163
2005	18,570	12,535	31,105
2006	26,385	11,755	38,140
2007	21,210	10,627	31,837
2008	21,445	9,642	31,087
2009-2013	87,450	33,814	121,264
2014-2018	51,325	18,003	69,328
2019-2023	21,985	8,104	30,089
Thereafter	20,720	7,995	28,715
Total	<u>\$ 284,050</u>	<u>\$ 125,678</u>	<u>\$ 409,728</u>

Changes in bonds payable for component units for fiscal year 2003 are summarized below:

Balance at July 1, 2002	\$ 263,650
New Bonds Issued:	
University of Nebraska	59,390
Nebraska State Colleges	14,315
Bonds Retired	(53,305)
Balance at June 30, 2003	<u>\$ 284,050</u>

#### **Bond Defeasances – Primary Government**

On June 7, 2002, NSBC issued \$4,155 of Series 2002 Lease Rental Revenue Bonds to advance refund \$4,385 of outstanding Series 1992 Lease Rental Revenue Refunding Bonds. The net proceeds of \$4,105, plus an additional \$298 of 1992 bond fund monies were used to advance refund the 1992 bonds. Outstanding bonds on July 8, 2002 were redeemed at a price equal to the principal amount plus accrued interest. The refunding resulted in a decrease in net debt service payments over the life of the bonds of \$617. This is equivalent to an economic gain of \$306. At June 30, 2003, \$4,385 of the Series 1992 Bonds are outstanding.

#### **Bond Defeasances – Component Units**

On July 15, 1993, the University of Nebraska Facilities Corporation issued \$45,570 of Refunding Bonds. On September 30, 1997, the University of Nebraska Facilities Corporation deposited \$34,764 into an

irrevocable trust with an escrow agent to defease outstanding 1993 Series Bonds. Outstanding bonds on July 1, 2005 will be redeemed at a price equal to the principal amount plus accrued interest. As a result, the 1993 bonds are considered to be defeased and the liability for these bonds has been removed from bonds payable. At June 30, 2003, \$26,380 of 1993 bonds are outstanding.

## 9. Lease Commitments

**Capital and Operating Leases.** The State leases land, office facilities, equipment, and other assets under both capital and operating leases. Although the lease terms may vary, all leases are subject to annual appropriation by the Legislature.

The minimum annual lease payments and the present value of future minimum payments for capital leases as of June 30, 2003 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES	FIDUCIARY FUNDS
2004	4,668	1,390
2005	5,867	1,396
2006	5,371	1,395
2007	5,215	1,395
2008	4,066	1,311
2009-2013	7,437	1,938
2014-2018	2,338	-
2019-2023	74	-
Total Minimum Payments	35,036	8,825
Less: interest and executory costs	5,200	825
Present value of net minimum payments	<u>\$ 29,836</u>	<u>\$ 8,000</u>

Capital leases have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of property and equipment under capital leases as of June 30, 2003:

	GOVERNMENTAL ACTIVITIES	FIDUCIARY FUNDS
Buildings	\$ 7,070	\$ -
Equipment	35,370	9,040
Less: accumulated depreciation	(10,465)	(2,009)
Carrying value	<u>\$ 31,975</u>	<u>\$ 7,031</u>

The minimum annual lease payments for operating leases as of June 30, 2003 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2004	\$ 7,210
2005	4,030
2006	3,930
2007	3,348
2008	3,122
2009-2013	8,161
2014-2018	534
2019-2023	214
Total	<u>\$ 30,549</u>

Primary Government operating lease payments for the year ended June 30, 2003 totaled \$12,025.

**Lessor Transactions.** The State also is a lessor of property, primarily farm land leased by the Board of Educational Lands and Funds to farmers and ranchers. At June 30, 2003, the State owned approximately 1.5 million acres of land that was under lease. Under the terms of the leases, the annual payments are subject to change based on annual market analysis. Total rents of \$23,928 were received under these and other lease agreements for the year ended June 30, 2003.

## 10. Obligations Under Other Financing Arrangements

The State has entered into special financing arrangements with certain public benefit corporations to fund certain grant programs. Under these arrangements, the State enters into an agreement with a public benefit corporation, the Nebraska Investment Finance Authority (NIFA), whereby NIFA issues bonds, the proceeds of which, along with federal capitalization grants, are used to provide loans to various municipalities and local units of government in Nebraska that qualify for such loans. Such loans are used for improvements to wastewater and drinking water treatment facilities. Funds to repay NIFA come from the municipalities and units of government to which the loans are given.

A summary of the future minimum contractual obligations including interest at rates from 1.30 percent to 5.70 percent is as follows:

YEAR	PRINCIPAL	INTEREST	TOTAL
2004	\$ 450	\$ 463	\$ 913
2005	565	466	1,031
2006	580	445	1,025
2007	605	422	1,027
2008	630	396	1,026
2009-2013	3,625	1,521	5,146
2014-2018	4,100	478	4,578
Total	<u>\$ 10,555</u>	<u>\$ 4,191</u>	<u>\$ 14,746</u>

## 11. Pension Plans

### Plans Administered by the Public Employees Retirement Board

The Public Employees Retirement Board (the Board), which consists of seven members, was created in 1971 to administer the Nebraska retirement plans then in existence. Those plans were the School, State Employees', Judges' and State Patrol plans. In October of 1973, the Board assumed the administration of the Nebraska Counties Retirement System. The plans have been created in accordance with Internal Revenue Code, Sections 401(a) and 414(h). Contribution and benefit provisions are established by State law and may only be amended by the State Legislature.

The Board prepares separate reports for the defined contribution plans and for the defined benefit plans. Copies of these reports that include financial statements and required supplementary information for the plans may be obtained by writing to Public Employees Retirement Systems, P.O. Box 94816, Lincoln, NE 68509-4816, or by calling 402-471-2053.

**Basis of Accounting.** The financial statements of the plans are prepared using the accrual basis of accounting, and are included as pension trust funds in the accompanying basic financial statements. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

**Plan Description and Funding Policy.** By State law, there is to be an equitable allocation of expenses among the retirement systems administered by the Board, and all expenses shall be provided from the investment income earned by the various retirement funds. Following is a summary of each of these plans:

**State Employees' Retirement.** This plan became effective January 1, 1964, and is a single-employer defined contribution plan established to provide benefits at retirement to general employees of the State. The amounts presented in the accompanying financial statements for the State Employees' Retirement System are for the fiscal year ended December 31, 2002.

Participation in the plan is required for all permanent full-time employees upon reaching the age of 30 and completion of 24 months of continuous service. Each member contributes 4.33 percent of their compensation until \$864 (not in thousands) has been paid and 4.8 percent of pay for the rest of the calendar year. The State matches a member's contribution at a rate of 156 percent.

As of December 31, 2002, there were 14,349 active members and 2,002 inactive members. Members contributed \$21,582 and the State contributed

\$33,720 during the year ended December 31, 2002, which was equal to required contributions.

**County Employees' Retirement.** In 1973, the State Legislature brought the County Employees' Retirement System under the administration of the Board. The amounts presented in the accompanying financial statements for the County Employees' Retirement System are for the fiscal year ended December 31, 2002.

The plan is a multiple-employer defined contribution plan that covers employees of 91 of the 93 counties. Participation in the plan is required of all employees working 20 or more hours per week upon the completion of 12 months of continuous service and of all elected officials. County employees and elected officials contribute four percent and commissioned law enforcement personnel (for participating counties with an excess of 85,000 inhabitants) contribute six percent of their total compensation. The counties contribute six percent and eight percent, respectively. The State is not required to contribute to this plan.

As of December 31, 2002, there were 6,162 active members and 1,032 inactive members. Members contributed \$6,054 and counties contributed \$9,033 during the year ended December 31, 2002, which were equal to required contributions.

**School Retirement.** The School Retirement System is a cost-sharing multiple-employer defined benefit pension plan with 603 participating school districts. All regular public school employees in Nebraska, other than those who have their own retirement plan, are members of the system. The benefits are based on both service and contributions.

The State's contribution is based on an annual actuarial valuation. The employees' contribution is 7.25 percent of their total pay and the school district's contribution is 101 percent of the employees' contribution.

**Judges' Retirement.** The Judges' Retirement System is a single-employer defined benefit pension system. The membership includes judges and associate judges employed by the State for the Supreme Court, Court of Appeals, District Court, Workers' Compensation Court, County Court, and Juvenile Court. Benefits are based on both service and final average salary. Benefits vest when the judge takes office.

Members' contributions, a portion of court fees collected, and the State's contribution, which is based on an annual actuarial valuation, fund the plan. The judges contribute six percent of their salary.

**State Patrol Retirement.** The State Patrol Retirement System is a single-employer defined benefit

pension system for officers of the patrol. The benefits are based on a percentage of the final average salary multiplied by years of service, not to exceed 75 percent of the average salary. Participation is mandated upon employment.

Members are required to contribute eleven percent of their monthly salary, which is matched by the State Patrol. The State's contribution is based on an annual actuarial valuation.

The actuarial cost method for the Judges' and the State Patrol Retirement Systems changed from frozen entry age to entry age as of June 30, 2002. The schedule on the right presents the primary actuarial assumptions used in the most recent actuarial reports for the single-employer defined benefit plans:

	JUDGES' RETIREMENT	STATE PATROL RETIREMENT
Actuarial Valuation Date	6/30/2003	6/30/2003
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Amount Closed	Level Amount Closed
Amortization Period	25 Years	25 Years
Mortality	1994 Group Annuity Table	1994 Group Annuity Table
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return **	8.0%	8.0%
Projected Salary Increases **	5.0%	Graded 12.0% to 4.5%

\*\* Includes assumed inflation of 3.5% per year.

The following table provides the schedules of funding progress for the single-employer defined benefit plans:

UNAUDITED REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS							
	(a)	(b)	(a-b)	(a/b)	(c)	((a-b)/c)	
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Excess of Assets over AAL	Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll	
Judges'							
6/30/2003	\$ 91,864	\$ 85,388	\$ 6,476	107.6 %	\$ 16,402	39.5 %	
6/30/2002	92,596	81,192	11,404	114.0	16,062	71.0	
6/30/2001	90,686	90,686	-	100.0	15,188	-	
State Patrol							
6/30/2003	\$ 214,657	\$ 210,931	\$ 3,726	101.8 %	\$ 21,929	17.0 %	
6/30/2002	214,528	197,615	16,913	108.6	18,847	89.7	
6/30/2001	208,373	187,284	21,089	111.3	16,727	126.1	

UNAUDITED THREE-YEAR TREND INFORMATION			
YEAR ENDED JUNE 30	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
<b>School</b>			
2003	\$ 15,521	100%	\$ -
2002	14,971	100	-
2001	14,452	100	-
<b>Judges'</b>			
2003	\$ 1,292	50%	\$ 646
2002	559	100	-
2001	546	100	-
<b>State Patrol</b>			
2003	\$ 2,653	100%	\$ -
2002	2,428	100	-
2001	2,258	100	-

## Other Plans

**Component Units.** The Teachers Insurance and Annuity Association/College Retirement Equity Fund, a privately administered defined contribution retirement

plan, provides individual retirement fund contracts for eligible employees of the University and State Colleges. Under the plan, eligible employees contribute 3.5 percent to 6.0 percent of monthly earnings and the institutions match the employees' contributions plus an additional 1.5 percent to 2.5 percent of earnings. Participation in the plan is required upon reaching the age of 30 with two years of continuous service. Voluntary participation is permitted upon reaching the age of 25 and two years of continuous service. The plan benefits are fully vested at the date of contribution. The State assumes no liability for the plan other than payment of contributions.

The total payroll for the University and State Colleges for fiscal year 2003 was \$649,315 of which \$483,110 was covered by the plan. The institutions' contributions were \$35,590 or 7.37 percent of covered payroll and the employees' contributions were \$25,498 or 5.28 percent of covered payroll.

## 12. Contingencies and Commitments

**Grants and Contracts.** The State participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the State.

All State agencies including institutions of higher education are required to comply with various federal regulations issued by the U.S. Office of Management and Budget if such agency or institution is a recipient of federal grants, contracts, or other sponsored agreements. Certain agencies or institutions may not be in total compliance with these regulations. Failure to comply may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will not be material to the overall financial condition of the State.

**Litigation.** The State is named as a party in legal proceedings that occur in the normal course of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contract, condemnation proceedings and other alleged violations of State and Federal laws. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the State for these proceedings. It is the State's opinion that the ultimate liability for these and other proceedings is not expected to have a material adverse effect on the State's financial position.

The State also has been named as a party in legal proceedings that occur outside of the normal course of governmental operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the State for these proceedings. The effects of this litigation, if any, will be reflected in future years, as the uncertainties regarding the litigation are determined. The State has set up reserves for possible future liabilities.

The Excess Liability Fund (Fund) of the State was established to account for activity resulting from the Nebraska Hospital-Medical Liability Act (the Act). Revenues of this fund are earned primarily from insurance premiums from certain health care providers covered under the Residual Authority administered by the Fund plus a surcharge levied on all participating health care providers in Nebraska. Expenses from this fund are used to pay judgments against participating health care providers. Under the Act, the State is limited to \$1,250 per occurrence. The State is a party to more than 80 lawsuits involving a doctor and other health care providers in Nebraska by former patients seeking recovery of damages for professional negligence and

medical malpractice resulting in the claimant-patients being exposed to or contracting Hepatitis C. The State accrues for claims against the Fund when payments associated with the claims become probable and can be reasonably estimated for financial statement purposes. The State has recorded a reserve as Claims Payable for this litigation in the Fund and Government-wide Financial Statements. Management of the State believes the accrual for claims payable is appropriate based on information currently available. Management of the State also believes the State has no separate obligation to satisfy any financial obligation of the Fund. The actual costs of resolving these claims against the State may differ substantially from the amounts accrued.

## 13. Risk Management

Through the Department of Administrative Services, Divisions of Risk Management and State Personnel, the State maintains insurance and self-insurance programs. Workers' compensation, health care, employee liability and general liability are generally self-insured. However, the State does carry surety bonds for constitutional officers and limited general liability on two buildings. Motor vehicle liability is insured with a \$5,000 limit and a \$300 retention per occurrence (the self-insured retention for vehicular pursuit is \$1,000) and employee dishonesty is insured with a \$1,000 limit with a \$25 retention per incident. The State insures against property damage, maintaining a policy with a \$100,000 limit and a \$200 retention per occurrence. The State also carries some insurance for personal property damage. Settled claims have not exceeded this commercial insurance coverage in any of the past three years. The Division of State Personnel provides life insurance for eligible State employees. These activities are reported in the Risk Management Internal Service Fund.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The balance of claims liabilities is determined by an analysis of past, current, and future estimated loss experience. Because actual claims liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The liability for workers' compensation is recorded at a discounted rate of three percent (\$5,984), which resulted in a liability of \$55,270.

Changes in the balances of claims liabilities during the years ended June 30, 2003, and 2002, were as follows:

	Fiscal Year	
	2003	2002
Beginning Balance	\$ 52,357	\$ 39,031
Current Year Claims and Changes in Estimates	129,571	68,116
Claim Payments	(118,568)	(54,790)
Ending Balance	<u>\$ 63,360</u>	<u>\$ 52,357</u>

#### 14. Joint Venture

On October 1, 1997, the Board of Regents of the University of Nebraska and Bishop Clarkson Memorial Hospital (Clarkson) entered into a Joint Operating Agreement forming the Nebraska Health System, a Nebraska nonprofit corporation doing business as the Nebraska Medical Center (NMC). A Board of Directors comprised of six members appointed by Clarkson and six members appointed by the Board of Regents govern NMC. Upon dissolution of NMC, the University and Clarkson will share equally in the remaining net assets. Because the University has an ongoing financial interest in NMC, the University is accounting for the joint venture under the equity method. The University has recorded fifty percent equity in the change in net assets of NMC for the year ended June 30, 2003 totaling approximately \$(14,871). In addition, to the extent that sufficient funds are available as determined by the NMC Board of Directors, the University will receive an

annual capital distribution. A distribution of \$3,000 was declared for fiscal year 2003.

In connection with the Joint Operating Agreement, the Board of Regents also entered into an Academic Affiliation Agreement for Education and Research with NMC. In connection with this agreement, NMC has agreed to financially support certain educational, research, operational and clinical activities of the University that further the mission and objectives of NMC. During the year ended June 30, 2003, the University received approximately \$20,603 of support in connection with the agreement.

Separate financial statements of NMC can be obtained from the Nebraska Medical Center, 42<sup>nd</sup> Street and Dewey Avenue, Omaha NE 68105.

#### 15. Accounting Change

The University previously calculated depreciation on its buildings using the straight-line method over the estimated useful life of the related assets. Effective July 1, 2002, the University changed its method of calculating depreciation for buildings to use the componentized method over the estimated useful life of the related assets. Management believes the change in accounting principle is preferable under accounting principles generally accepted in the United States of America and it is the method used for indirect cost reporting purposes. The cumulative effect of this change resulted in a decrease in net assets of \$15,572.

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## REQUIRED SUPPLEMENTARY INFORMATION

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State of Nebraska

# REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE

### GENERAL FUND

For the Year Ended June 30, 2003

(Dollars in Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Taxes	\$ 2,620,581	\$ 2,431,730	\$ 2,382,130	\$ (49,600)
Federal Grants and Contracts	30,331	30,331	30,331	-
Sales and Charges	21,086	21,086	21,086	-
Other	12,781	12,781	12,781	-
<b>TOTAL REVENUES</b>	<b>2,684,779</b>	<b>2,495,928</b>	<b>2,446,328</b>	<b>(49,600)</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	107,753	98,907	92,287	6,620
Conservation of Natural Resources	45,532	41,039	30,910	10,129
Culture – Recreation	5,863	5,849	5,663	186
Economic Development and Assistance	8,213	8,137	6,697	1,440
Education	1,400,314	1,378,520	1,358,368	20,152
Health and Social Services	884,973	852,239	822,763	29,476
Public Safety	182,413	190,063	168,784	21,279
Regulation of Business and Professions	3,722	3,546	3,132	414
Transportation	1,051	870	308	562
Intergovernmental	104,640	105,815	102,521	3,294
<b>TOTAL EXPENDITURES</b>	<b>2,744,474</b>	<b>2,684,985</b>	<b>2,591,433</b>	<b>93,552</b>
Excess of Revenues Over (Under) Expenditures	(59,695)	(189,057)	(145,105)	43,952
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	196,051	196,051	196,051	-
Transfers Out	(153,496)	(153,496)	(153,496)	-
Other	289	289	289	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>42,844</b>	<b>42,844</b>	<b>42,844</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(16,851)	(146,213)	(102,261)	43,952
<b>FUND BALANCES, JULY 1</b>	<b>164,108</b>	<b>164,108</b>	<b>164,108</b>	<b>-</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 147,257</b>	<b>\$ 17,895</b>	<b>\$ 61,847</b>	<b>\$ 43,952</b>

A reconciliation of the budgetary basis versus GAAP fund balance for the General Fund as of June 30, 2003, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2003

General

\$ 2,704

Cash Reserve

59,143

Budgetary fund balances

61,847

DIFFERENCES DUE TO BASIS OF ACCOUNTING:

Record amount due component units

1,349

Record taxes receivable

236,696

Record tax refund liability

(239,930)

Record State contributions due pension funds

(15,927)

Record medicaid claims payable

(73,254)

Record other net accrued receivables and liabilities

12,174

GAAP fund balance, June 30, 2003

\$ (17,045)

See independent auditor's report

State of Nebraska  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**CASH FUNDS**

For the Year Ended June 30, 2003

(Dollars in Thousands)				
	CASH FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Taxes	\$ 82,347	\$ 82,347	\$ 82,347	\$ -
Federal Grants and Contracts	253,936	253,936	253,936	-
Sales and Charges	238,461	238,461	238,461	-
Other	234,211	234,211	234,211	-
<b>TOTAL REVENUES</b>	<b>808,955</b>	<b>808,955</b>	<b>808,955</b>	<b>-</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	64,201	64,736	43,103	21,633
Conservation of Natural Resources	84,961	82,408	45,633	36,775
Culture – Recreation	28,695	29,477	19,541	9,936
Economic Development and Assistance	41,270	41,270	16,275	24,995
Education	384,478	340,307	206,889	133,418
Health and Social Services	206,716	222,818	125,972	96,846
Public Safety	32,201	32,219	23,102	9,117
Regulation of Business and Professions	166,211	173,122	113,719	59,403
Transportation	602,458	632,458	580,366	52,092
Intergovernmental	7,551	8,107	7,157	950
Capital Projects	35,906	35,925	11,090	24,835
<b>TOTAL EXPENDITURES</b>	<b>1,654,648</b>	<b>1,662,847</b>	<b>1,192,847</b>	<b>470,000</b>
Excess of Revenues Over (Under) Expenditures	(845,693)	(853,892)	(383,892)	470,000
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	834,514	834,514	834,514	-
Transfers Out	(531,483)	(531,483)	(531,483)	-
Other	2,153	2,153	2,153	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>305,184</b>	<b>305,184</b>	<b>305,184</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(540,509)	(548,708)	(78,708)	470,000
<b>FUND BALANCES, JULY 1</b>	<b>635,763</b>	<b>635,763</b>	<b>635,763</b>	<b>-</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 95,254</b>	<b>\$ 87,055</b>	<b>\$ 557,055</b>	<b>\$ 470,000</b>
A reconciliation of the budgetary basis versus GAAP fund balance for the Major Funds as of June 30, 2003, follows (dollars in thousands):				
Actual Fund Balances, budgetary basis, June 30, 2003				
Cash			\$ 557,055	
Construction			3,037	
Federal			39,327	
Revolving			129,212	
Budgetary fund balances			728,631	
DIFFERENCES DUE TO BASIS OF ACCOUNTING AND NONMAJOR FUNDS:			107	
GAAP fund balance, June 30, 2003			<u>\$ 728,738</u>	
Actual Fund Balances of Major Funds, June 30, 2003				
Highway			\$ 127,638	
Federal			11,621	
Health and Social Services			274,356	
Permanent School			315,123	
GAAP fund balance, June 30, 2003			<u>\$ 728,738</u>	

See independent auditor's report

State of Nebraska

# REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE

### CONSTRUCTION FUNDS

For the Year Ended June 30, 2003

(Dollars in Thousands)

	CONSTRUCTION FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	-	-	-	-
Sales and Charges	-	-	-	-
Other	68	68	68	-
<b>TOTAL REVENUES</b>	<u>68</u>	<u>68</u>	<u>68</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	468	468	-	468
Culture – Recreation	-	-	-	-
Economic Development and Assistance	-	-	-	-
Education	9,748	9,735	8,640	1,095
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Intergovernmental	-	-	-	-
Capital Projects	26,145	27,435	21,199	6,236
<b>TOTAL EXPENDITURES</b>	<u>36,361</u>	<u>37,638</u>	<u>29,839</u>	<u>7,799</u>
Excess of Revenues Over (Under) Expenditures	<u>(36,293)</u>	<u>(37,570)</u>	<u>(29,771)</u>	<u>7,799</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	31,684	31,684	31,684	-
Transfers Out	-	-	-	-
Other	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>31,684</u>	<u>31,684</u>	<u>31,684</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(4,609)</u>	<u>(5,886)</u>	<u>1,913</u>	<u>7,799</u>
<b>FUND BALANCES, JULY 1</b>	<u>1,124</u>	<u>1,124</u>	<u>1,124</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ (3,485)</u>	<u>\$ (4,762)</u>	<u>\$ 3,037</u>	<u>\$ 7,799</u>

State of Nebraska

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FEDERAL FUNDS**

For the Year Ended June 30, 2003

(Dollars in Thousands)

	FEDERAL FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	1,823,314	1,823,314	1,823,314	-
Sales and Charges	17,670	17,670	17,670	-
Other	11,118	11,118	11,118	-
<b>TOTAL REVENUES</b>	<u>1,852,102</u>	<u>1,852,102</u>	<u>1,852,102</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	8,125	8,178	3,978	4,200
Conservation of Natural Resources	64,054	66,816	34,344	32,472
Culture – Recreation	3,115	3,315	1,975	1,340
Economic Development and Assistance	67,736	75,404	60,748	14,656
Education	461,779	536,280	448,284	87,996
Health and Social Services	1,269,574	1,339,065	1,250,264	88,801
Public Safety	47,714	58,107	43,081	15,026
Regulation of Business and Professions	1,797	1,804	1,171	633
Transportation	-	-	-	-
Intergovernmental	-	-	-	-
Capital Projects	9,442	11,399	5,333	6,066
<b>TOTAL EXPENDITURES</b>	<u>1,933,336</u>	<u>2,100,368</u>	<u>1,849,178</u>	<u>251,190</u>
Excess of Revenues Over (Under) Expenditures	<u>(81,234)</u>	<u>(248,266)</u>	<u>2,924</u>	<u>251,190</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	1,297	1,297	1,297	-
Transfers Out	(1,315)	(1,315)	(1,315)	-
Other	(428)	(428)	(428)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(446)</u>	<u>(446)</u>	<u>(446)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(81,680)</u>	<u>(248,712)</u>	<u>2,478</u>	<u>251,190</u>
<b>FUND BALANCES, JULY 1</b>	<u>36,849</u>	<u>36,849</u>	<u>36,849</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ (44,831)</u>	<u>\$ (211,863)</u>	<u>\$ 39,327</u>	<u>\$ 251,190</u>

State of Nebraska

# REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE

### REVOLVING FUNDS

For the Year Ended June 30, 2003

(Dollars in Thousands)

	REVOLVING FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	464	464	464	-
Sales and Charges	327,092	327,092	327,092	-
Other	131,096	131,096	131,096	-
<b>TOTAL REVENUES</b>	<u>458,652</u>	<u>458,652</u>	<u>458,652</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	217,900	215,871	147,801	68,070
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	1,786	1,786	437	1,349
Education	359,421	392,572	307,302	85,270
Health and Social Services	-	-	-	-
Public Safety	19,560	19,560	7,726	11,834
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Intergovernmental	-	-	-	-
Capital Projects	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>598,667</u>	<u>629,789</u>	<u>463,266</u>	<u>166,523</u>
Excess of Revenues Over (Under) Expenditures	<u>(140,015)</u>	<u>(171,137)</u>	<u>(4,614)</u>	<u>166,523</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	31,663	31,663	31,663	-
Transfers Out	(31,149)	(31,149)	(31,149)	-
Other	1,047	1,047	1,047	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,561</u>	<u>1,561</u>	<u>1,561</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(138,454)</u>	<u>(169,576)</u>	<u>(3,053)</u>	<u>166,523</u>
<b>FUND BALANCES, JULY 1</b>	<u>132,265</u>	<u>132,265</u>	<u>132,265</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ (6,189)</u>	<u>\$ (37,311)</u>	<u>\$ 129,212</u>	<u>\$ 166,523</u>

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2003

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### Budgetary Process

The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, all State agencies, including the university and colleges, must submit their budget requests for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, subprograms, and activities. The Governor reviews the agency requests, establishes priorities, and presents the Legislature with one or more pieces of legislation covering the biennium. The Legislature holds hearings on the Governor's proposed budget, adopts changes and presents final legislation to the Governor. The Governor can either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The approved appropriations set spending limits by fund type for programs within each agency. These limits may include up to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the State Accounting Division of the Department of Administrative Services.

Appropriations are made for each fiscal year of the biennium; balances at the end of the first fiscal year are carried over into the second fiscal year, unless directed otherwise by the Legislature. For most appropriations, balances lapse at the end of the biennium.

The budgetary fund types used by the State differ from those presented in the basic financial statements. The budgetary funds, which are listed below, are generally segregated by revenue sources. Of these seven fund types, only the first five are subject to the spending limits set by the appropriations bills. The General Fund is the only major fund that corresponds to a budgetary fund type.

**General Fund.** To account for activities funded by general tax dollars, primarily sales and income taxes.

**Cash Reserve Fund.** To account for financial resources used as a reserve for the General Fund if the General Fund balance should become inadequate to meet current obligations. The Cash Reserve Fund is part of the budgetary basis fund balance.

**Cash Funds.** To account for the financing of goods or services provided by a State agency to individuals or entities outside State government on a cost-reimbursement basis, and to account for the revenues and expenditures related to highway construction.

**Construction Funds.** To account for financial resources to be used for the acquisition or construction of major capital facilities.

**Federal Funds.** To account for the financial resources related to the receipt and disbursement of funds generated from the federal government as a result of grants and contracts, except for federal highway monies accounted for in the Cash Funds.

**Revolving Funds.** To account for the financing of goods or services provided by one State agency to another State agency on a cost-reimbursement basis.

**Trust Funds.** To account for assets held in a trustee capacity.

**Distributive Funds.** To account for assets held as an agent for individuals, private organizations, and other governments and/or other funds.

The accompanying basic financial statements were prepared by converting budgetary fund data into the fund format required by GAAP. The cash basis of accounting is used for all budgetary fund types.

All State budgetary expenditures for the general, cash, construction, federal and revolving fund types are made pursuant to appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may allocate appropriations between object of expenditure accounts, except that personal service expenditures that exceed limitations contained in the appropriations bill require Legislative amendment. Any changes in appropriations are made through an annual deficit bill or other legislation. Appropriations from the federal fund type are considered to be estimated and the Legislature has approved an administrative procedure for changing them. During fiscal year 2003, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended June 30, 2003, there were no budgetary programs in which expenditures exceeded appropriations. Revenues are not budgeted for any funds except for General Fund tax revenues.

# **REQUIRED SUPPLEMENTARY INFORMATION** **INFORMATION ABOUT INFRASTRUCTURE ASSETS** **REPORTED USING THE MODIFIED APPROACH**

For the Year Ended June 30, 2003

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of highway and bridges the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

## **Measurement Scale**

The Nebraska Department of Roads uses the Nebraska Serviceability Index (NSI) to measure and monitor pavement conditions. The NSI is a numerical pavement rating scale used to monitor the condition on a scale ranging from 0 to 100 with 0 being the worst and 100 being the best. NSI represents the condition of the pavement at the time of measurement and is based on pavement’s surface distresses. Surface distresses include, cracking, patching, roughness, rutting, and faulting.

## **Established Condition Level**

It is the policy of the Nebraska Department of Roads to maintain at least an overall system rating of 72 percent or above.

## **Assessed Condition**

The State assesses conditions on a calendar year basis. The following table reports the percentage of pavements meeting ratings of “Very Good”, “Good”, “Fair”, and “Poor”. This condition index is used to classify roads in very good (90-100), good (70-89), fair (50-69), and poor (0-49).

<b>Calendar Year</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Very Good	38%	48%	50%	51%	47%
Good	43%	36%	35%	35%	33%
Fair	16%	13%	13%	12%	18%
Poor	3%	3%	2%	2%	2%
Overall System Rating	83.0%	84.0%	84.0%	83.6%	82.7%

## **Estimated and Actual Costs to Maintain**

The following table presents the State’s estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level cited above, and the actual amount spent during the past fiscal year (amounts in millions). The actual cost of system preservation will be greater than estimated as a result of maintaining the system at a NSI level higher than the base level established for GASB-34 purposes (72 base versus 84 actual).

<b>Fiscal Year</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Estimated	\$ 179	\$ 174	\$ 169
Actual		\$ 199	194
Difference		25	25

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## COMBINING AND INDIVIDUAL FUND STATEMENTS

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# NONMAJOR GOVERNMENTAL FUNDS

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## SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Licensing and Regulation.** This fund accounts for all activities of agencies, boards, and commissions whose primary function is licensing individuals and regulating industry and professions. This includes a diverse group of professions such as abstracters, medical professions, barbers, engineers, architects and accountants.

**Economic Development.** This fund accounts for activities to develop and promote the growth of industry, agriculture, commerce and tourism, and utilization of resources within Nebraska.

**Airport Development.** This fund accounts for the activities relating to aircraft fuels tax, which is administered by the Department of Aeronautics for the support and maintenance of public airports.

**Game and Parks.** This fund accounts for the activities related to the Nebraska Game and Parks Commission, which is responsible for the development and preservation of the fish and wildlife resources of Nebraska, and operation and administration of the State park system.

**Energy Conservation.** This fund accounts for activities relating to the oil and gas severance taxes as well as energy conservation and development activities. The State Energy Office is responsible for providing technical assistance on energy conservation and development, distributing funds for the school weatherization program, and administering and distributing federal funds provided to the State in the area of energy efficiency.

**State Building Corporation.** This fund accounts for the activities of a blended component unit.

**NETC Leasing Corporation.** This fund accounts for the activities of a blended component unit.

**Other Special Revenue.** This fund accounts for various other revenues that must be used for specific purposes.

## CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for construction of buildings financed with tax dollars.

## PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**Aeronautics Trust Fund.** This fund receives proceeds from the sale of state-owned airfields. Investment income is used to pay for expenses of the Department of Aeronautics.

**Nebraska Veterans' Aid Fund.** This fund accounts for the investment activity of a General Fund contribution made in a prior year. Earnings on the investment are used to provide emergency financial assistance to eligible veterans and dependents.

**Permanent Endowment Fund.** This fund receives the proceeds of sales of land and investments endowed to the University by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income on these funds is used for support and maintenance of the University.

**Agriculture Endowment Fund.** This fund receives the proceeds of sales of land and investments endowed to the University's Agriculture College by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income from this fund is used for support and maintenance of the Agriculture College.

**Other Permanent Funds.** Normal School Endowment, J.J. Soukup, and Miscellaneous Permanent Trust.

State of Nebraska  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2003

(Dollars in Thousands)

	<b>SPECIAL REVENUE</b>	<b>CAPITAL PROJECTS</b>	<b>PERMANENT FUNDS</b>	<b>TOTALS</b>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 53,254	\$ 5,189	\$ 1,132	\$ 59,575
Cash on Deposit with Fiscal Agents	34,377	-	-	34,377
Investments	295,628	28,305	36,814	360,747
Securities Lending Collateral	83,382	8,089	5,927	97,398
Receivables, net of allowance				
Taxes	287	-	-	287
Loans	156,621	-	-	156,621
Other	8,704	357	220	9,281
Due from Other Funds	3,673	-	-	3,673
Prepaid Items	120	-	-	120
Other	655	-	-	655
TOTAL ASSETS	<u>\$ 636,701</u>	<u>\$ 41,940</u>	<u>\$ 44,093</u>	<u>\$ 722,734</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts Payable and Accrued Liabilities	\$ 13,183	\$ 3,808	\$ 32	\$ 17,023
Due to Other Governments	209	-	-	209
Deposits	2,112	-	-	2,112
Due to Other Funds	8,563	13	-	8,576
Obligations under Securities Lending	83,383	8,089	5,926	97,398
TOTAL LIABILITIES	<u>107,450</u>	<u>11,910</u>	<u>5,958</u>	<u>125,318</u>
<b>FUND BALANCES:</b>				
Reserved for:				
Long-Term Receivables	156,621	-	-	156,621
Inventories and Prepaid Items	120	-	-	120
Debt Service	6,905	-	-	6,905
Endowment Principal	-	-	19,561	19,561
Unreserved	365,605	30,030	18,574	414,209
TOTAL FUND BALANCES	<u>529,251</u>	<u>30,030</u>	<u>38,135</u>	<u>597,416</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 636,701</u>	<u>\$ 41,940</u>	<u>\$ 44,093</u>	<u>\$ 722,734</u>

## State of Nebraska

# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2003

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
<b>REVENUES:</b>				
Sales and Use Taxes	\$ 1,907	\$ -	\$ -	\$ 1,907
Petroleum Taxes	13,129	-	-	13,129
Excise Taxes	28,933	7,037	-	35,970
Business and Franchise Taxes	20,169	-	-	20,169
Other Taxes	4,800	-	-	4,800
Federal Grants and Contracts	33,258	5,354	-	38,612
Licenses, Fees and Permits	87,472	-	-	87,472
Charges for Services	22,592	-	-	22,592
Investment Income	20,763	2,128	2,241	25,132
Rents and Royalties	10,458	11,154	-	21,612
Surcharge	60,270	-	-	60,270
Other	26,988	5	13	27,006
<b>TOTAL REVENUES</b>	<b>330,739</b>	<b>25,678</b>	<b>2,254</b>	<b>358,671</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	18,475	-	19	18,494
Conservation of Natural Resources	38,950	-	-	38,950
Culture – Recreation	18,983	-	-	18,983
Economic Development and Assistance	16,383	-	-	16,383
Education	25,392	-	93	25,485
Higher Education - Colleges and University	-	14,355	-	14,355
Health and Social Services	1,037	-	1,297	2,334
Public Safety	25,729	-	-	25,729
Regulation of Business and Professions	112,490	-	-	112,490
Transportation	19,682	-	42	19,724
Intergovernmental	20,706	-	-	20,706
Capital Projects	-	27,773	-	27,773
Debt Service:				
Principal	3,830	-	-	3,830
Interest	1,934	-	-	1,934
<b>TOTAL EXPENDITURES</b>	<b>303,591</b>	<b>42,128</b>	<b>1,451</b>	<b>347,170</b>
Excess of Revenues Over (Under)				
Expenditures	27,148	(16,450)	803	11,501
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	43,789	27,140	-	70,929
Transfers Out	(63,623)	(3,174)	(416)	(67,213)
Proceeds from Other Financing Arrangements	4,950	-	-	4,950
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(14,884)</b>	<b>23,966</b>	<b>(416)</b>	<b>8,666</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	12,264	7,516	387	20,167
<b>FUND BALANCES, JULY 1</b>	<b>516,987</b>	<b>22,514</b>	<b>37,748</b>	<b>577,249</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 529,251</b>	<b>\$ 30,030</b>	<b>\$ 38,135</b>	<b>\$ 597,416</b>

State of Nebraska  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
June 30, 2003

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 23,649	\$ 4,267	\$ 4,034
Cash on Deposit with Fiscal Agents	-	-	-
Investments	127,222	23,100	-
Securities Lending Collateral	36,358	6,601	-
Receivables, net of allowance:			
Taxes	104	-	133
Loans	-	34	3,185
Other	3,203	995	638
Due from Other Funds	383	17	12
Prepaid Items	12	-	4
Other	40	610	-
TOTAL ASSETS	<u>\$ 190,971</u>	<u>\$ 35,624</u>	<u>\$ 8,006</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts Payable and Accrued Liabilities	\$ 3,707	\$ 942	\$ 228
Due to Other Governments	13	-	-
Deposits	316	610	-
Due to Other Funds	167	23	6
Obligations under Securities Lending	36,358	6,602	-
TOTAL LIABILITIES	<u>40,561</u>	<u>8,177</u>	<u>234</u>
<b>FUND BALANCES:</b>			
Reserved for:			
Long-Term Receivables	-	34	3,185
Inventories and Prepaid Items	12	-	4
Debt Service	-	-	-
Unreserved	150,398	27,413	4,583
TOTAL FUND BALANCES	<u>150,410</u>	<u>27,447</u>	<u>7,772</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 190,971</u>	<u>\$ 35,624</u>	<u>\$ 8,006</u>

GAME AND PARKS	ENERGY CONSERVATION	STATE BUILDING CORPORATION	NETC LEASING CORPORATION	OTHER SPECIAL REVENUE	TOTALS
\$ 7,011	\$ 9,812	\$ -	\$ -	\$ 4,481	\$ 53,254
-	-	515	21,004	12,858	34,377
35,780	-	-	-	109,526	295,628
10,225	-	-	-	30,198	83,382
-	-	-	-	50	287
-	19,539	-	-	133,863	156,621
1,961	79	2	561	1,265	8,704
726	-	-	-	2,535	3,673
41	2	-	34	27	120
-	-	-	-	5	655
<u>\$ 55,744</u>	<u>\$ 29,432</u>	<u>\$ 517</u>	<u>\$ 21,599</u>	<u>\$ 294,808</u>	<u>\$ 636,701</u>
\$ 4,908	\$ 26	\$ -	\$ 301	\$ 3,071	\$ 13,183
-	-	-	-	196	209
-	-	-	-	1,186	2,112
93	-	-	-	8,274	8,563
10,225	-	-	-	30,198	83,383
<u>15,226</u>	<u>26</u>	<u>-</u>	<u>301</u>	<u>42,925</u>	<u>107,450</u>
-	19,539	-	-	133,863	156,621
41	2	-	34	27	120
-	-	517	508	5,880	6,905
40,477	9,865	-	20,756	112,113	365,605
<u>40,518</u>	<u>29,406</u>	<u>517</u>	<u>21,298</u>	<u>251,883</u>	<u>529,251</u>
<u>\$ 55,744</u>	<u>\$ 29,432</u>	<u>\$ 517</u>	<u>\$ 21,599</u>	<u>\$ 294,808</u>	<u>\$ 636,701</u>

State of Nebraska

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2003

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
<b>REVENUES:</b>			
Sales and Use Taxes	\$ -	\$ 1,907	\$ -
Petroleum Taxes	10,947	367	1,499
Excise Taxes	7,230	12,624	-
Business and Franchise Taxes	2,762	163	-
Other Taxes	-	-	-
Federal Grants and Contracts	460	6	17,523
Licenses, Fees and Permits	41,509	(8)	-
Charges for Services	3,179	260	294
Investment Income	8,507	1,567	162
Rents and Royalties	1	-	597
Surcharge	60,270	-	-
Other	7,072	118	13
<b>TOTAL REVENUES</b>	<b>141,937</b>	<b>17,004</b>	<b>20,088</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	-	-	-
Conservation of Natural Resources	-	-	-
Culture – Recreation	-	-	-
Economic Development and Assistance	-	15,470	-
Education	-	-	-
Health and Social Services	-	-	-
Public Safety	-	-	-
Regulation of Business and Professions	111,530	-	-
Transportation	-	-	19,682
Intergovernmental	-	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>111,530</b>	<b>15,470</b>	<b>19,682</b>
Excess of Revenues Over (Under) Expenditures	30,407	1,534	406
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	327	238	416
Transfers Out	(36,573)	(2,097)	-
Proceeds from Other Financing Arrangements	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(36,246)</b>	<b>(1,859)</b>	<b>416</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(5,839)	(325)	822
<b>FUND BALANCES, JULY 1</b>	<b>156,249</b>	<b>27,772</b>	<b>6,950</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 150,410</b>	<b>\$ 27,447</b>	<b>\$ 7,772</b>

GAME AND PARKS	ENERGY CONSERVATION	STATE BUILDING CORPORATION	NETC LEASING CORPORATION	OTHER SPECIAL REVENUE	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,907
-	300	-	-	16	13,129
1,309	-	-	-	7,770	28,933
-	-	-	-	17,244	20,169
-	-	-	-	4,800	4,800
7,028	-	-	-	8,241	33,258
16,840	-	-	-	29,131	87,472
3,668	13	-	-	15,178	22,592
2,418	343	31	876	6,859	20,763
8,357	-	631	-	872	10,458
-	-	-	-	-	60,270
2,418	64	-	-	17,303	26,988
42,038	720	662	876	107,414	330,739
-	-	11	-	18,464	18,475
33,189	405	-	-	5,356	38,950
18,154	-	-	-	829	18,983
-	-	-	-	913	16,383
-	-	-	8,775	16,617	25,392
-	-	-	-	1,037	1,037
-	-	-	-	25,729	25,729
-	-	-	-	960	112,490
-	-	-	-	-	19,682
-	-	-	-	20,706	20,706
-	-	505	1,745	1,580	3,830
-	-	119	1,430	385	1,934
51,343	405	635	11,950	92,576	303,591
(9,305)	315	27	(11,074)	14,838	27,148
9,993	-	-	3,174	29,641	43,789
(2,811)	(250)	-	-	(21,892)	(63,623)
-	-	-	-	4,950	4,950
7,182	(250)	-	3,174	12,699	(14,884)
(2,123)	65	27	(7,900)	27,537	12,264
42,641	29,341	490	29,198	224,346	516,987
\$ 40,518	\$ 29,406	\$ 517	\$ 21,298	\$ 251,883	\$ 529,251

State of Nebraska

# **COMBINING BALANCE SHEET** **NONMAJOR PERMANENT FUNDS**

June 30, 2003

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ -	\$ 797	\$ 252	\$ 74	\$ 9	\$ 1,132
Investments	6,752	27,236	746	1,641	439	36,814
Securities Lending Collateral	3,156	2,510	69	151	41	5,927
Other Receivables, net of allowance	83	118	5	8	6	220
<b>TOTAL ASSETS</b>	<u>\$ 9,991</u>	<u>\$ 30,661</u>	<u>\$ 1,072</u>	<u>\$ 1,874</u>	<u>\$ 495</u>	<u>\$ 44,093</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts Payable and Accrued Liabilities	\$ -	\$ 11	\$ 6	\$ 13	\$ 2	\$ 32
Obligations under Securities Lending	3,156	2,510	69	151	40	5,926
<b>TOTAL LIABILITIES</b>	<u>3,156</u>	<u>2,521</u>	<u>75</u>	<u>164</u>	<u>42</u>	<u>5,958</u>
<b>FUND BALANCES:</b>						
Reserved for Endowment Principal	6,195	12,000	503	722	141	19,561
Unreserved	640	16,140	494	988	312	18,574
<b>TOTAL FUND BALANCES</b>	<u>6,835</u>	<u>28,140</u>	<u>997</u>	<u>1,710</u>	<u>453</u>	<u>38,135</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 9,991</u>	<u>\$ 30,661</u>	<u>\$ 1,072</u>	<u>\$ 1,874</u>	<u>\$ 495</u>	<u>\$ 44,093</u>

State of Nebraska

# **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR PERMANENT FUNDS**

For the Year Ended June 30, 2003

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
<b>REVENUES:</b>						
Investment Income	\$ 735	\$ 1,325	\$ 45	\$ 81	\$ 55	\$ 2,241
Other	-	13	-	-	-	13
<b>TOTAL REVENUES</b>	<u>735</u>	<u>1,338</u>	<u>45</u>	<u>81</u>	<u>55</u>	<u>2,254</u>
<b>EXPENDITURES:</b>						
General Government	-	-	-	-	19	19
Education	-	-	27	60	6	93
Health and Social Services	-	1,297	-	-	-	1,297
Transportation	42	-	-	-	-	42
<b>TOTAL EXPENDITURES</b>	<u>42</u>	<u>1,297</u>	<u>27</u>	<u>60</u>	<u>25</u>	<u>1,451</u>
Excess of Revenues Over (Under) Expenditures	693	41	18	21	30	803
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers Out	(416)	-	-	-	-	(416)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	277	41	18	21	30	387
<b>FUND BALANCES, JULY 1</b>	<u>6,558</u>	<u>28,099</u>	<u>979</u>	<u>1,689</u>	<u>423</u>	<u>37,748</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 6,835</u>	<u>\$ 28,140</u>	<u>\$ 997</u>	<u>\$ 1,710</u>	<u>\$ 453</u>	<u>\$ 38,135</u>

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## NONMAJOR ENTERPRISE FUNDS

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Enterprise Funds are maintained to account for operations that are financed and operated in a manner similar to private business enterprises—where the costs of providing goods and services to the general public are financed primarily through user charges.

**Lottery Fund.** This fund accounts for all receipts and expenses from the operations of the State Lottery.

**Excess Liability Fund.** This fund accounts for the activity resulting from implementation of the Nebraska Hospital-Medical Liability Act. Revenues are primarily insurance premiums from certain health care providers and a surcharge levied on all participating health care providers in Nebraska. Expenses from the fund are used to pay judgments against participating health care providers.

**Cornhusker State Industries.** The activities of Cornhusker State Industries in the Department of Correctional Services are accounted for in this fund.

State of Nebraska

**COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS**

June 30, 2003

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>ASSETS</b>				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 6,878	\$ 7,750	\$ 4,195	\$ 18,823
Receivables, net of allowance	4,561	440	97	5,098
Due from Other Funds	-	-	424	424
Inventories	-	-	1,281	1,281
Prepaid Items	343	-	-	343
TOTAL CURRENT ASSETS	11,782	8,190	5,997	25,969
RESTRICTED ASSETS:				
Long-Term Deposits	2,470	-	-	2,470
NONCURRENT ASSETS:				
Long-Term Investments	-	49,097	-	49,097
Securities Lending Collateral	-	8,134	-	8,134
Capital Assets:				
Buildings and Equipment	410	-	9,731	10,141
Less Accumulated Depreciation	(327)	-	(3,272)	(3,599)
Total Capital Assets, net	83	-	6,459	6,542
TOTAL NONCURRENT ASSETS	83	57,231	6,459	63,773
TOTAL ASSETS	\$ 14,335	\$ 65,421	\$ 12,456	\$ 92,212
<b>LIABILITIES AND NET ASSETS</b>				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	\$ 4,880	\$ 27	\$ 314	\$ 5,221
Due to Other Funds	1,060	-	20	1,080
Claims, Judgments and Compensated Absences	22	12,097	39	12,158
Deferred Revenue	-	3,990	-	3,990
TOTAL CURRENT LIABILITIES	5,962	16,114	373	22,449
NONCURRENT LIABILITIES:				
Claims, Judgments and Compensated Absences	127	37,903	229	38,259
Obligations under Securities Lending	-	8,134	-	8,134
TOTAL NONCURRENT LIABILITIES	127	46,037	229	46,393
TOTAL LIABILITIES	6,089	62,151	602	68,842
NET ASSETS:				
Invested in Capital Assets, net of related debt	83	-	6,459	6,542
Restricted for:				
Lottery Prizes, Noncurrent	2,470	-	-	2,470
Unrestricted	5,693	3,270	5,395	14,358
TOTAL NET ASSETS	8,246	3,270	11,854	23,370
TOTAL LIABILITIES AND NET ASSETS	\$ 14,335	\$ 65,421	\$ 12,456	\$ 92,212

State of Nebraska

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2003

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 80,919	\$ 6,686	\$ 5,196	\$ 92,801
<b>OPERATING EXPENSES:</b>				
Personal Services	1,296	-	2,494	3,790
Services and Supplies	17,105	345	2,960	20,410
Lottery Prizes	42,984	-	-	42,984
Insurance Claims	-	13,451	12	13,463
Depreciation	70	-	637	707
TOTAL OPERATING EXPENSES	61,455	13,796	6,103	81,354
Operating Income (Loss)	19,464	(7,110)	(907)	11,447
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment Income	506	5,497	154	6,157
Income (Loss) Before Transfers	19,970	(1,613)	(753)	17,604
Transfers Out	(20,230)	-	-	(20,230)
Change in Net Assets	(260)	(1,613)	(753)	(2,626)
<b>NET ASSETS, JULY 1</b>	8,506	4,883	12,607	25,996
<b>NET ASSETS, JUNE 30</b>	\$ 8,246	\$ 3,270	\$ 11,854	\$ 23,370

State of Nebraska  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
For the Year Ended June 30, 2003

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 80,010	\$ 8,129	\$ 795	\$ 88,934
Cash Received from Interfund Charges	-	-	5,066	5,066
Cash Paid to Employees	(1,288)	-	(2,523)	(3,811)
Cash Paid to Suppliers	(15,853)	(227)	(1,822)	(17,902)
Cash Paid for Lottery Prizes	(43,053)	-	-	(43,053)
Cash Paid for Insurance Claims	-	(7,951)	(12)	(7,963)
Cash Paid for Interfund Services	(348)	(119)	(808)	(1,275)
NET CASH FLOWS FROM OPERATING ACTIVITIES	19,468	(168)	696	19,996
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers Out	(20,099)	-	-	(20,099)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING:</b>				
Acquisition and Construction of Capital Assets	(44)	-	(237)	(281)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investment Securities	-	(165,163)	-	(165,163)
Proceeds from Sale of Investment Securities	-	165,910	-	165,910
Interest and Dividend Income	483	5,499	172	6,154
NET CASH FLOWS FROM INVESTING ACTIVITIES	483	6,246	172	6,901
NET INCREASE (DECREASE) IN CASH	(192)	6,078	631	6,517
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	7,070	1,672	3,564	12,306
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>\$ 6,878</u>	<u>\$ 7,750</u>	<u>\$ 4,195</u>	<u>\$ 18,823</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	<u>\$ 19,464</u>	<u>\$ (7,110)</u>	<u>\$ (907)</u>	<u>\$ 11,447</u>
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	70	-	637	707
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(909)	-	234	(675)
(Increase) Decrease in Due from Other Funds	-	-	431	431
(Increase) Decrease in Inventories	-	-	275	275
(Increase) Decrease in Prepaid Items	(11)	-	-	(11)
(Increase) Decrease in Long-Term Deposits	(12)	-	-	(12)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	867	2	25	894
Increase (Decrease) in Due to Other Funds	(1)	(3)	1	(3)
Increase (Decrease) in Claims Payable	-	5,500	-	5,500
Increase (Decrease) in Deferred Revenue	-	1,443	-	1,443
Total adjustments	4	6,942	1,603	8,549
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 19,468</u>	<u>\$ (168)</u>	<u>\$ 696</u>	<u>\$ 19,996</u>
<b>NONCASH TRANSACTIONS</b> (dollars in thousands):				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Change in Fair Value of Investments	<u>\$ -</u>	<u>\$ 1,164</u>	<u>\$ -</u>	<u>\$ 1,164</u>

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## INTERNAL SERVICE FUNDS

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Internal Service Funds are used to account for the operations of State agencies that provide goods and services to other departments or agencies within State government on a cost-reimbursement basis. The State has the following internal service funds:

**Buildings and Grounds.** The activities of the Department of Administrative Services, State Building Division, for space rental, office and storage, and operating the parking areas are accounted for in this fund.

**General Services.** This fund accounts for the operations of central services provided by the Department of Administrative Services, Materiel Division. These operations are the central mailroom, printing, central stores, purchasing services, surplus State property, and other miscellaneous office services.

**Communications.** This fund accounts for the activities of the central communications network maintained by the Department of Administrative Services, Communications Division.

**Information Management Services.** The central data processing operations maintained by the Department of Administrative Services, Information Management Services Division, are accounted for in this fund.

**Transportation Services Bureau.** This fund accounts for the operations of the central motor pool, which is under the Department of Administrative Services, Transportation Services Bureau.

**Risk Management.** The activities of the Department of Administrative Services, Division of Risk Management, which include workers' compensation and general liability claims, and of the State Employees Insurance Fund, which include life and health insurance programs, are accounted for in this fund.

**Accounting Services.** The accounting operations maintained by the Department of Administrative Services, State Accounting Division, are accounted for in this fund.

**Other Internal Service Funds.** This fund accounts for the micrographics services and warehousing of records by the Records Management Division of the Secretary of State, the activities of the Investment Council, and the temporary employee pool maintained by the Department of Administrative Services, Division of State Personnel.

State of Nebraska

# **COMBINING STATEMENT OF NET ASSETS** **INTERNAL SERVICE FUNDS**

June 30, 2003

(Dollars in Thousands)

	<b>BUILDINGS AND GROUNDS</b>	<b>GENERAL SERVICES</b>	<b>COMMUNICATIONS</b>
<b>ASSETS</b>			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 7,792	\$ 5,342	\$ 3,727
Receivables, net of allowance			
Accounts	125	37	315
Accrued Interest	72	38	28
Due from Other Funds	242	397	1,540
Inventories	-	205	-
Prepaid Items	718	524	-
TOTAL CURRENT ASSETS	<u>8,949</u>	<u>6,543</u>	<u>5,610</u>
NONCURRENT ASSETS:			
Capital Assets:			
Buildings and Equipment	2,784	7,786	4,892
Less Accumulated Depreciation	(1,855)	(4,294)	(3,932)
Total Capital Assets, net	<u>929</u>	<u>3,492</u>	<u>960</u>
TOTAL ASSETS	<u>\$ 9,878</u>	<u>\$ 10,035</u>	<u>\$ 6,570</u>
<b>LIABILITIES AND NET ASSETS</b>			
CURRENT LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 1,237	\$ 1,553	\$ 2,061
Due to Other Funds	23	1,036	39
Capital Lease Obligations	209	-	-
Claims, Judgments and Compensated Absences	243	59	21
Deferred Revenue	-	-	293
TOTAL CURRENT LIABILITIES	<u>1,712</u>	<u>2,648</u>	<u>2,414</u>
NONCURRENT LIABILITIES:			
Capital Lease Obligations	246	-	-
Claims, Judgments and Compensated Absences	1,440	350	127
TOTAL NONCURRENT LIABILITIES	<u>1,686</u>	<u>350</u>	<u>127</u>
TOTAL LIABILITIES	<u>3,398</u>	<u>2,998</u>	<u>2,541</u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	474	3,492	960
Unrestricted	6,006	3,545	3,069
TOTAL NET ASSETS	<u>6,480</u>	<u>7,037</u>	<u>4,029</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,878</u>	<u>\$ 10,035</u>	<u>\$ 6,570</u>

INFORMATION MANAGEMENT SERVICES	TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 13,992	\$ 2,334	\$ 28,781	\$ 347	\$ 2,084	\$ 64,399
20	14	17	33	82	643
96	17	248	26	13	538
5,053	1,323	35,700	-	212	44,467
-	-	-	-	-	205
-	-	-	-	-	1,242
<u>19,161</u>	<u>3,688</u>	<u>64,746</u>	<u>406</u>	<u>2,391</u>	<u>111,494</u>
21,339	19,442	-	28	1,378	57,649
<u>(19,783)</u>	<u>(6,543)</u>	<u>-</u>	<u>(26)</u>	<u>(1,258)</u>	<u>(37,691)</u>
<u>1,556</u>	<u>12,899</u>	<u>-</u>	<u>2</u>	<u>120</u>	<u>19,958</u>
<u>\$ 20,717</u>	<u>\$ 16,587</u>	<u>\$ 64,746</u>	<u>\$ 408</u>	<u>\$ 2,511</u>	<u>\$ 131,452</u>
\$ 3,896	\$ 76	\$ 1,360	\$ 54	\$ 326	\$ 10,563
328	30	9	131	12	1,608
1,335	965	-	-	5	2,514
337	10	22,785	41	24	23,520
-	-	-	-	-	293
<u>5,896</u>	<u>1,081</u>	<u>24,154</u>	<u>226</u>	<u>367</u>	<u>38,498</u>
582	3,070	-	-	-	3,898
<u>2,000</u>	<u>63</u>	<u>40,592</u>	<u>240</u>	<u>144</u>	<u>44,956</u>
<u>2,582</u>	<u>3,133</u>	<u>40,592</u>	<u>240</u>	<u>144</u>	<u>48,854</u>
<u>8,478</u>	<u>4,214</u>	<u>64,746</u>	<u>466</u>	<u>511</u>	<u>87,352</u>
(361)	8,864	-	2	115	13,546
<u>12,600</u>	<u>3,509</u>	<u>-</u>	<u>(60)</u>	<u>1,885</u>	<u>30,554</u>
<u>12,239</u>	<u>12,373</u>	<u>-</u>	<u>(58)</u>	<u>2,000</u>	<u>44,100</u>
<u>\$ 20,717</u>	<u>\$ 16,587</u>	<u>\$ 64,746</u>	<u>\$ 408</u>	<u>\$ 2,511</u>	<u>\$ 131,452</u>

State of Nebraska

# **COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2003

(Dollars in Thousands)			
	<b>BUILDINGS AND GROUNDS</b>	<b>GENERAL SERVICES</b>	<b>COMMUNICATIONS</b>
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 31,216	\$ 14,311	\$ 19,258
Other	239	5	-
<b>TOTAL OPERATING REVENUES</b>	<b>31,455</b>	<b>14,316</b>	<b>19,258</b>
<b>OPERATING EXPENSES:</b>			
Personal Services	10,141	2,456	1,210
Services and Supplies	18,654	11,682	16,388
Insurance Claims	243	6	-
Depreciation	529	1,178	784
<b>TOTAL OPERATING EXPENSES</b>	<b>29,567</b>	<b>15,322</b>	<b>18,382</b>
 Operating Income (Loss)	 1,888	 (1,006)	 876
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment Income	320	160	110
Gain (Loss) on Sale of Capital Assets	(5)	(140)	3
Other	(769)	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(454)</b>	<b>20</b>	<b>113</b>
 Income (Loss) Before Transfers	 1,434	 (986)	 989
 Transfers Out	 (874)	 -	 -
 Change in Net Assets	 560	 (986)	 989
<b>NET ASSETS, JULY 1</b>	<b>5,920</b>	<b>8,023</b>	<b>3,040</b>
<b>NET ASSETS, JUNE 30</b>	<b>\$ 6,480</b>	<b>\$ 7,037</b>	<b>\$ 4,029</b>

INFORMATION MANAGEMENT SERVICES	TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 49,758	\$ 5,104	\$ 124,524	\$ 1,978	\$ 7,503	\$ 253,652
-	-	-	21	2,457	2,722
<u>49,758</u>	<u>5,104</u>	<u>124,524</u>	<u>1,999</u>	<u>9,960</u>	<u>256,374</u>
15,800	507	140	1,323	5,255	36,832
42,335	2,804	233	1,873	5,046	99,015
-	-	129,571	-	-	129,820
<u>705</u>	<u>2,242</u>	<u>-</u>	<u>2</u>	<u>72</u>	<u>5,512</u>
<u>58,840</u>	<u>5,553</u>	<u>129,944</u>	<u>3,198</u>	<u>10,373</u>	<u>271,179</u>
(9,082)	(449)	(5,420)	(1,199)	(413)	(14,805)
538	76	1,265	138	56	2,663
(766)	(244)	-	-	129	(1,023)
<u>1,473</u>	<u>(127)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>576</u>
<u>1,245</u>	<u>(295)</u>	<u>1,265</u>	<u>138</u>	<u>184</u>	<u>2,216</u>
(7,837)	(744)	(4,155)	(1,061)	(229)	(12,589)
-	-	-	-	-	(874)
(7,837)	(744)	(4,155)	(1,061)	(229)	(13,463)
<u>20,076</u>	<u>13,117</u>	<u>4,155</u>	<u>1,003</u>	<u>2,229</u>	<u>57,563</u>
<u>\$ 12,239</u>	<u>\$ 12,373</u>	<u>\$ -</u>	<u>\$ (58)</u>	<u>\$ 2,000</u>	<u>\$ 44,100</u>

State of Nebraska  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended June 30, 2003

(Dollars in Thousands)	BUILDINGS AND GROUNDS	GENERAL SERVICES	COMMUNICATIONS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 852	\$ 129	\$ 1,379
Cash Received from Interfund Charges	30,364	14,897	17,641
Cash Paid to Employees	(9,806)	(2,366)	(1,182)
Cash Paid to Suppliers	(15,764)	(10,384)	(15,095)
Cash Paid for Insurance Claims	(243)	(6)	-
Cash Paid for Interfund Services	(2,421)	(937)	(769)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>2,982</u>	<u>1,333</u>	<u>1,974</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Cigarette Tax Proceeds	-	-	-
Transfers Out	(874)	-	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>(874)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	(546)	(1,264)	(978)
Proceeds from Sale of Capital Assets	1	3	3
Principal Paid on Capital Leases	(200)	-	-
Interest Paid on Capital Leases	(769)	-	-
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,514)</u>	<u>(1,261)</u>	<u>(975)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment Income	359	195	124
NET INCREASE (DECREASE) IN CASH	953	267	1,123
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>6,839</u>	<u>5,075</u>	<u>2,604</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u><u>\$ 7,792</u></u>	<u><u>\$ 5,342</u></u>	<u><u>\$ 3,727</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ 1,888	\$ (1,006)	\$ 876
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	529	1,178	784
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	(123)	(19)	(83)
(Increase) Decrease in Due from Other Funds	(116)	726	(138)
(Increase) Decrease in Inventories	-	49	-
(Increase) Decrease in Prepaid Items	22	(236)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	788	231	534
Increase (Decrease) in Due to Other Funds	(6)	410	18
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Deferred Revenue	-	-	(17)
Total Adjustments	<u>1,094</u>	<u>2,339</u>	<u>1,098</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>\$ 2,982</u></u>	<u><u>\$ 1,333</u></u>	<u><u>\$ 1,974</u></u>
<b>NONCASH TRANSACTIONS</b> (dollars in thousands):			
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments. The following noncash transactions occurred during the year:			
Capital Assets acquired through Capital Leases	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

INFORMATION MANAGEMENT SERVICES	TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 158	\$ 81	\$ 2,959	\$ 4	\$ 4,747	\$ 10,309
49,801	5,619	113,636	1,962	5,285	239,205
(15,816)	(492)	(126)	(1,216)	(5,244)	(36,248)
(31,198)	(322)	1,041	(1,319)	(4,094)	(77,135)
-	-	(118,568)	-	-	(118,817)
<u>(8,642)</u>	<u>(2,471)</u>	<u>(105)</u>	<u>(526)</u>	<u>(862)</u>	<u>(16,733)</u>
<u>(5,697)</u>	<u>2,415</u>	<u>(1,163)</u>	<u>(1,095)</u>	<u>(168)</u>	<u>581</u>
1,561	-	-	-	-	1,561
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(874)</u>
<u>1,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>687</u>
(1,720)	(1,796)	-	-	-	(6,304)
1,583	1,006	-	-	32	2,628
(1,980)	(955)	-	-	(15)	(3,150)
<u>(88)</u>	<u>(127)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(985)</u>
<u>(2,205)</u>	<u>(1,872)</u>	<u>-</u>	<u>-</u>	<u>16</u>	<u>(7,811)</u>
731	85	1,401	151	63	3,109
<u>(5,610)</u>	<u>628</u>	<u>238</u>	<u>(944)</u>	<u>(89)</u>	<u>(3,434)</u>
<u>19,602</u>	<u>1,706</u>	<u>28,543</u>	<u>1,291</u>	<u>2,173</u>	<u>67,833</u>
<u>\$13,992</u>	<u>\$ 2,334</u>	<u>\$ 28,781</u>	<u>\$ 347</u>	<u>\$ 2,084</u>	<u>\$ 64,399</u>
<u>\$ (9,082)</u>	<u>\$ (449)</u>	<u>\$ (5,420)</u>	<u>\$ (1,199)</u>	<u>\$ (413)</u>	<u>\$ (14,805)</u>
705	2,242	-	2	72	5,512
(3)	25	(17)	(33)	(79)	(332)
204	571	(7,912)	-	151	(6,514)
-	5	-	-	-	54
-	-	-	-	16	(198)
2,168	13	1,176	64	79	5,053
311	8	7	71	6	825
-	-	11,003	-	-	11,003
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17)</u>
<u>3,385</u>	<u>2,864</u>	<u>4,257</u>	<u>104</u>	<u>245</u>	<u>15,386</u>
<u>\$ (5,697)</u>	<u>\$ 2,415</u>	<u>\$ (1,163)</u>	<u>\$ (1,095)</u>	<u>\$ (168)</u>	<u>\$ 581</u>
<u>\$ 1,582</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,582</u>

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# FIDUCIARY FUNDS

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Fiduciary funds are used to account for assets held by the State of Nebraska in a fiduciary capacity. The State has the following fiduciary funds:

## PENSION TRUST FUNDS

Deferred Compensation, State Employees' Retirement, County Employees' Retirement, Judges' Retirement, State Patrol Retirement, and School Retirement Systems.

## PRIVATE PURPOSE TRUST FUNDS

**Vocational Rehabilitation Fund.** This fund provides rehabilitation services to outside persons to restore the person to gainful employment. Funding comes from assessments to insurance companies and self-insurers. This is not a State program.

**Canteen and Welfare Fund.** This fund provides entertainment activities at correctional facilities for youth and adult offenders. Revenues are from vending sales, projects, donations and gifts. This is not a State program and uses no State funds.

**Escheat Trust Fund.** This fund makes payments to rightful owners for financial assets turned over to the State Treasurer because the assets were left unclaimed at corporations, business associations, banking and financial organizations, insurance companies, utilities and public authorities. If the rightful owners cannot be located, excess funds are transferred to the Permanent School Fund. However, the only funds shown in this trust are those funds determined to be paid at a future date to rightful owners of those funds.

**College Savings Plan.** This fund accounts for the Nebraska savings plan qualified under section 529 of the Internal Revenue Code.

**Other Private Purpose Trust Funds.** Amos Trust, Agriculture and University Land Lease, Public Service Commission Trust Account, and Miscellaneous Private Purpose Trust.

## AGENCY FUNDS

**Local Government Fund.** This fund receives money for redistribution to counties and other political subdivisions.

**Other Agency Funds.** Ohio College Library Service, Severance Tax Fund, Court Ordered Settlement, County Court Trust Funds, Comprehensive Health Insurance Pool, the Department of Correctional Services Inmate Trust Funds, and the Health and Human Services System Trust Funds.

## State of Nebraska

# COMBINING STATEMENT OF FIDUCIARY NET ASSETS

## PENSION TRUST FUNDS

June 30, 2003

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	COUNTY EMPLOYEES RETIREMENT	SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
<b>ASSETS:</b>							
Cash and Cash Equivalents	\$ 23	\$ 9	\$ 67	\$ 3,090	\$ 19	\$ 92	\$ 3,300
Investments:							
U.S. Government Securities	-	-	-	609,965	11,200	26,273	647,438
Corporate Bonds	-	-	-	450,683	8,275	19,413	478,371
Equity Securities	-	-	-	909,734	16,704	39,186	965,624
Foreign Government Securities	-	-	-	36,024	662	1,552	38,238
Municipal Bonds	-	-	-	7,695	141	331	8,167
Pooled Investment Contracts	101,700	707,276	171,675	-	-	-	980,651
Mutual Funds	-	-	-	2,224,764	40,850	95,829	2,361,443
Total Investments	101,700	707,276	171,675	4,238,865	77,832	182,584	5,479,932
Securities Lending Collateral	-	4,166	1,022	295,738	5,430	12,739	319,095
Receivables:							
Contributions	-	8	446	14,066	122	-	14,642
Interest and Dividends	-	905	224	13,385	245	578	15,337
Total Receivables	-	913	670	27,451	367	578	29,979
Due from Other Funds	3	7	-	16,617	410	1,008	18,045
Capital Assets:							
Buildings and Equipment	42	-	-	6,651	1,185	1,166	9,044
Less Accumulated Depreciation	(21)	-	-	(1,787)	(103)	(102)	(2,013)
Total Capital Assets, net	21	-	-	4,864	1,082	1,064	7,031
<b>TOTAL ASSETS</b>	<b>\$ 101,747</b>	<b>\$ 712,371</b>	<b>\$ 173,434</b>	<b>\$ 4,586,625</b>	<b>\$ 85,140</b>	<b>\$ 198,065</b>	<b>\$ 5,857,382</b>
<b>LIABILITIES AND NET ASSETS:</b>							
<b>LIABILITIES:</b>							
Accounts Payable and Accrued Liabilities	\$ 1	\$ 170	\$ 71	\$ 4,860	\$ 69	\$ 127	\$ 5,298
Due to Other Funds	1	-	-	39	-	-	40
Obligations under Securities Lending	-	4,166	1,022	295,738	5,430	12,739	319,095
Capital Lease Obligations	11	-	-	5,229	1,392	1,368	8,000
Accrued Compensated Absences	4	26	14	180	5	5	234
<b>TOTAL LIABILITIES</b>	<b>17</b>	<b>4,362</b>	<b>1,107</b>	<b>306,046</b>	<b>6,896</b>	<b>14,239</b>	<b>332,667</b>
<b>NET ASSETS:</b>							
Held in Trust for Pension Benefits	101,730	708,009	172,327	4,280,579	78,244	183,826	5,524,715
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 101,747</b>	<b>\$ 712,371</b>	<b>\$ 173,434</b>	<b>\$ 4,586,625</b>	<b>\$ 85,140</b>	<b>\$ 198,065</b>	<b>\$ 5,857,382</b>

State of Nebraska

# COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUNDS

For the Year Ended June 30, 2003

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	COUNTY EMPLOYEES RETIREMENT	SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
<b>ADDITIONS:</b>							
Contributions:							
Participant Contributions	\$ 7,241	\$ 21,582	\$ 6,054	\$ 84,240	\$ 761	\$ 2,322	\$ 122,200
State Contributions	-	33,720	-	15,521	72	333	49,646
Political Subdivision Contributions	-	-	9,033	86,888	-	2,322	98,243
Court Fees	-	-	-	-	579	-	579
Total Contributions	7,241	55,302	15,087	186,649	1,412	4,977	270,668
Investment Income:							
Net Appreciation (Depreciation) in Fair Value of Investments	-	(52,917)	(12,542)	126,769	2,175	5,190	68,675
Interest and Dividend Income	2,011	-	-	94,761	1,778	4,150	102,700
Securities Lending Income	-	89	22	7,122	131	307	7,671
Total Investment Income	2,011	(52,828)	(12,520)	228,652	4,084	9,647	179,046
Investment Expenses	122	-	-	9,643	179	419	10,363
Securities Lending Expenses	-	70	18	5,626	103	242	6,059
Total Investment Expense	122	70	18	15,269	282	661	16,422
Net Investment Income	1,889	(52,898)	(12,538)	213,383	3,802	8,986	162,624
Other Additions	72	-	-	168	-	-	240
TOTAL ADDITIONS	9,202	2,404	2,549	400,200	5,214	13,963	433,532
<b>DEDUCTIONS:</b>							
Benefits	6,874	36,122	7,510	146,350	3,701	8,698	209,255
Refunds	-	-	-	10,403	-	30	10,433
Administrative Expenses	34	1,112	636	2,095	369	374	4,620
TOTAL DEDUCTIONS	6,908	37,234	8,146	158,848	4,070	9,102	224,308
Change in Net Assets	2,294	(34,830)	(5,597)	241,352	1,144	4,861	209,224
<b>NET ASSETS-BEGINNING OF YEAR</b>	99,436	742,839	177,924	4,039,227	77,100	178,965	5,315,491
<b>NET ASSETS-END OF YEAR</b>	<u>\$ 101,730</u>	<u>\$ 708,009</u>	<u>\$ 172,327</u>	<u>\$ 4,280,579</u>	<u>\$ 78,244</u>	<u>\$ 183,826</u>	<u>\$ 5,524,715</u>

State of Nebraska

# **COMBINING STATEMENT OF FIDUCIARY NET ASSETS** **PRIVATE PURPOSE TRUST FUNDS**

June 30, 2003

(Dollars in Thousands)

	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 2,579	\$ 2,495	\$ 7,877	\$ 15	\$ 3,939	\$ 16,905
Investments in Mutual Funds	-	-	-	404,813	-	404,813
Receivables:						
Interest and Dividends	21	20	65	-	43	149
Other	-	2	-	-	-	2
Due from Other Funds	-	-	836	-	-	836
Other Assets	-	-	2,266	-	740	3,006
TOTAL ASSETS	<u>\$ 2,600</u>	<u>\$ 2,517</u>	<u>\$11,044</u>	<u>\$ 404,828</u>	<u>\$ 4,722</u>	<u>\$ 425,711</u>
<b>LIABILITIES AND NET ASSETS:</b>						
LIABILITIES:						
Accounts Payable and Accrued Liabilities	\$ 14	\$ 282	\$11,044	\$ -	\$ 4	\$ 11,344
Deposits	-	-	-	-	740	740
Due to Other Funds	-	2	-	-	3	5
TOTAL LIABILITIES	<u>14</u>	<u>284</u>	<u>11,044</u>	<u>-</u>	<u>747</u>	<u>12,089</u>
NET ASSETS:						
Held in Trust for Other Purposes	<u>2,586</u>	<u>2,233</u>	<u>-</u>	<u>404,828</u>	<u>3,975</u>	<u>413,622</u>
TOTAL NET ASSETS	<u>2,586</u>	<u>2,233</u>	<u>-</u>	<u>404,828</u>	<u>3,975</u>	<u>413,622</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,600</u>	<u>\$ 2,517</u>	<u>\$11,044</u>	<u>\$ 404,828</u>	<u>\$ 4,722</u>	<u>\$ 425,711</u>

State of Nebraska

# COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2003

(Dollars in Thousands)						
	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
<b>ADDITIONS:</b>						
Contributions:						
Participant Contributions	\$ -	\$ 3	\$ -	\$ 188,491	\$ -	\$ 188,494
Client Contributions	-	145	-	-	-	145
Investment Income:						
Net Appreciation (Depreciation) in						
Fair Value of Investments	-	-	-	22,191	-	22,191
Interest and Dividend Income	141	91	300	-	117	649
Investment Expenses	-	11	-	786	-	797
Total Investment Income	141	80	300	21,405	117	22,043
Escheat Revenue	-	-	250	-	-	250
Other Additions	-	4,372	-	15	3,082	7,469
TOTAL ADDITIONS	141	4,600	550	209,911	3,199	218,401
<b>DEDUCTIONS:</b>						
Benefits	-	-	-	6,341	-	6,341
Amounts Distributed to Outside Parties	1,415	4,487	-	-	10	5,912
Administrative Expenses	286	-	550	-	692	1,528
TOTAL DEDUCTIONS	1,701	4,487	550	6,341	702	13,781
Change in Net Assets Held in Trust for Other Purposes	(1,560)	113	-	203,570	2,497	204,620
<b>NET ASSETS-BEGINNING OF YEAR</b>	4,146	2,120	-	201,258	1,478	209,002
<b>NET ASSETS-END OF YEAR</b>	<u>\$ 2,586</u>	<u>\$ 2,233</u>	<u>\$ -</u>	<u>\$ 404,828</u>	<u>\$ 3,975</u>	<u>\$ 413,622</u>

State of Nebraska

# COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2003

(Dollars in Thousands)

	LOCAL GOVERNMENT FUND	OTHER	TOTALS
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 44,948	\$ 38,446	\$ 83,394
Receivables:			
Interest and Dividends Receivable	268	111	379
Other	-	576	576
Due from Other Funds	-	3	3
TOTAL ASSETS	<u>\$ 45,216</u>	<u>\$ 39,136</u>	<u>\$ 84,352</u>
<b>LIABILITIES:</b>			
Accounts Payable and Accrued Liabilities	\$ 122	\$ 13,585	\$ 13,707
Due to Other Governments	45,094	-	45,094
Other Liabilities	-	25,551	25,551
TOTAL LIABILITIES	<u>\$ 45,216</u>	<u>\$ 39,136</u>	<u>\$ 84,352</u>

State of Nebraska  
**COMBINING STATEMENT OF CHANGES**  
**IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
For the Year Ended June 30, 2003

(Dollars in Thousands)	BALANCE JULY 1, 2002	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2003
<b>LOCAL GOVERNMENT FUND</b>				
ASSETS				
Cash and Cash Equivalents	\$ 42,524	\$ 337,814	\$ 335,390	\$ 44,948
Interest and Dividends Receivable	440	769	941	268
TOTAL ASSETS	<u>\$ 42,964</u>	<u>\$ 338,583</u>	<u>\$ 336,331</u>	<u>\$ 45,216</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ -	\$ 68,118	\$ 67,996	\$ 122
Due to Other Governments	42,964	270,465	268,335	45,094
TOTAL LIABILITIES	<u>\$ 42,964</u>	<u>\$ 338,583</u>	<u>\$ 336,331</u>	<u>\$ 45,216</u>
<b>OTHER</b>				
ASSETS				
Cash and Cash Equivalents	\$ 38,849	\$ 726,460	\$ 726,863	\$ 38,446
Receivables:				
Interest and Dividends Receivable	161	2,932	2,982	111
Other	-	3,676	3,100	576
Due from Other Funds	-	12	9	3
TOTAL ASSETS	<u>\$ 39,010</u>	<u>\$ 733,080</u>	<u>\$ 732,954</u>	<u>\$ 39,136</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ -	\$ 36,585	\$ 23,000	\$ 13,585
Other Liabilities	39,010	696,496	709,955	25,551
TOTAL LIABILITIES	<u>\$ 39,010</u>	<u>\$ 733,081</u>	<u>\$ 732,955</u>	<u>\$ 39,136</u>

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## STATISTICAL SECTION

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The Statistical Section presents comparative data for the past ten years, and other pertinent information involving taxes, revenues, expenditures, demographic data and other miscellaneous statistics.

The statistical data is presented to give report users a better historical perspective and assist in assessing current financial status and trends of the governmental unit. Economic data is presented to allow a broader understanding of the economic and social environment in which State government operates.

State of Nebraska

**TEN YEAR SCHEDULE OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

1994 – 2003

(Dollars in Thousands)

	1994	1995	1996	1997
<b>REVENUES:</b>				
Taxes:				
Income	\$ 835,934	\$ 867,037	\$ 947,508	\$ 1,075,095
Sales and Use	746,429	774,012	824,590	857,684
Petroleum	247,134	255,278	240,605	266,852
Excise	92,912	93,822	99,007	93,715
Business and Franchise	44,140	42,786	32,435	33,195
Other	17,980	13,616	16,097	22,679
Total Taxes	<u>1,984,529</u>	<u>2,046,551</u>	<u>2,160,242</u>	<u>2,349,220</u>
Federal Grants and Contracts	978,526	1,112,819	1,191,748	1,130,846
Licenses, Fees and Permits	123,279	131,832	138,288	145,598
Charges for Services	62,069	69,008	75,372	73,571
Investment Income	37,551	50,665	66,404	99,956
Rents and Royalties	27,426	28,064	27,865	32,561
Other	36,893	39,879	38,066	46,413
TOTAL REVENUES	<u>3,250,273</u>	<u>3,478,818</u>	<u>3,697,985</u>	<u>3,878,165</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	72,557	77,103	74,545	94,041
Conservation of Natural Resources	58,582	62,144	66,495	67,638
Culture – Recreation	14,912	17,309	17,714	20,094
Economic Development and Assistance	54,401	59,904	64,202	68,133
Education	710,517	768,206	793,418	827,735
Higher Education - Colleges and University	335,749	340,714	356,200	376,718
Health and Social Services	1,102,173	1,241,956	1,332,712	1,342,694
Public Safety	155,750	166,367	152,065	152,321
Regulation of Business and Professions	44,290	46,508	49,458	44,464
Transportation	543,012	569,733	622,523	622,572
Intergovernmental	93,941	90,287	87,286	91,544
Capital Projects	3,886	3,234	4,288	11,899
Debt Service	2,413	2,579	2,814	3,298
TOTAL EXPENDITURES	<u>3,192,183</u>	<u>3,446,044</u>	<u>3,623,720</u>	<u>3,723,151</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	58,090	32,774	74,265	155,014
Transfers In	42,651	65,172	84,938	113,205
Transfers Out	(28,710)	(44,053)	(61,648)	(89,388)
Other	2,472	3,872	2,945	7,912
Net Change for the Year	74,503	57,765	100,500	186,743
Restatements	944	27,470	-	25,496
<b>BEGINNING FUND BALANCE</b>	<u>553,916</u>	<u>629,363</u>	<u>714,598</u>	<u>815,098</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 629,363</u>	<u>\$ 714,598</u>	<u>\$ 815,098</u>	<u>\$ 1,027,337</u>

**SOURCE:** Department of Administrative Services, Accounting Division.  
Nebraska Comprehensive Annual Financial Report

1998	1999	2000	2001	2002	2003
\$ 1,121,849	\$ 1,199,499	\$ 1,310,210	\$ 1,374,256	\$ 1,252,950	\$ 1,237,075
910,437	868,620	1,083,692	1,068,832	1,135,014	1,215,621
269,761	266,419	280,700	291,545	309,245	311,198
94,557	94,142	95,324	86,518	83,567	107,227
31,486	40,396	42,095	56,420	57,321	59,490
25,480	24,590	27,735	35,621	24,912	25,187
<u>2,453,570</u>	<u>2,493,666</u>	<u>2,839,756</u>	<u>2,913,192</u>	<u>2,863,009</u>	<u>2,955,798</u>
1,263,946	1,400,439	1,557,699	1,591,531	1,789,617	1,806,377
146,128	154,352	160,915	159,338	169,748	177,317
68,634	75,343	78,647	81,691	82,058	74,470
125,904	93,522	91,173	114,774	57,660	71,225
31,614	31,954	34,123	33,711	33,586	44,561
73,267	115,983	181,894	146,874	148,168	196,148
<u>4,163,063</u>	<u>4,365,259</u>	<u>4,944,207</u>	<u>5,041,111</u>	<u>5,143,846</u>	<u>5,325,896</u>
92,529	95,568	108,303	113,810	98,621	131,442
73,637	82,049	95,824	94,481	102,401	88,716
21,311	22,588	22,754	24,059	29,002	26,844
71,240	74,672	80,559	81,045	86,401	83,378
853,687	1,032,960	1,080,926	1,089,059	1,172,525	1,208,046
392,403	404,314	429,865	442,176	466,397	461,325
1,469,078	1,646,773	1,794,428	1,960,469	2,159,887	2,219,154
170,797	177,519	189,850	197,363	238,874	236,277
42,367	42,930	68,044	81,855	104,364	116,560
600,957	658,509	760,048	670,896	750,704	752,810
94,841	107,443	106,795	154,425	126,825	120,788
18,404	23,177	66,478	45,321	25,961	27,773
3,467	5,897	14,353	4,824	10,691	5,764
<u>3,904,718</u>	<u>4,374,399</u>	<u>4,818,227</u>	<u>4,959,783</u>	<u>5,372,653</u>	<u>5,478,877</u>
258,345	(9,140)	125,980	81,328	(228,807)	(152,981)
104,979	123,474	174,364	151,673	151,187	147,825
(86,071)	(106,603)	(158,142)	(129,619)	(130,025)	(126,721)
3,002	55	30,636	2,947	37,719	5,013
280,255	7,786	172,838	106,329	(169,926)	(126,864)
-	-	-	-	11,354	-
<u>1,027,337</u>	<u>1,307,592</u>	<u>1,315,378</u>	<u>1,488,216</u>	<u>1,594,545</u>	<u>1,435,973</u>
<u>\$ 1,307,592</u>	<u>\$ 1,315,378</u>	<u>\$ 1,488,216</u>	<u>\$ 1,594,545</u>	<u>\$ 1,435,973</u>	<u>\$ 1,309,109</u>

State of Nebraska  
**REVENUE BOND COVERAGE**  
**COLLEGES AND UNIVERSITIES**  
 1994 – 2003

(Dollars in Thousands)

<b>FISCAL YEAR</b>	<b>DEDICATED REVENUES</b>	<b>RELATED EXPENSES</b>	<b>NET REVENUES AVAILABLE FOR DEBT SERVICE</b>	<b>DEBT SERVICE REQUIREMENT</b>	<b>COVERAGE RATIO</b>
1994	\$ 45,730	\$ 36,743	\$ 8,987	\$ 5,694	1.58
1995	49,059	38,680	10,379	5,825	1.78
1996	52,928	43,464	9,464	6,084	1.56
1997	54,029	44,652	9,377	7,175	1.31
1998	56,878	46,176	10,702	7,736	1.38
1999	48,965	38,267	10,698	8,072	1.33
2000	52,176	40,774	11,402	7,454	1.53
2001	54,108	43,168	10,940	7,876	1.39
2002	63,195	50,605	12,590	7,219	1.74
2003	67,284	53,080	14,204	8,313	1.71

**SOURCE:** University of Nebraska and State Colleges.

State of Nebraska

# COMPARATIVE POPULATION GROWTH NEBRASKA AND UNITED STATES

1940 – 2002 (As of July 1)

YEAR	NEBRASKA	PERCENT CHANGE	UNITED STATES	PERCENT CHANGE
1940	1,315,834		132,122,446	
1950	1,325,510	0.74 %	152,271,417	15.25 %
1960	1,411,921	6.52	180,671,158	18.65
1970	1,485,333	5.20	205,052,174	13.49
1971	1,508,000	1.53	207,661,000	1.27
1972	1,528,000	1.33	209,896,000	1.08
1973	1,533,000	0.33	211,909,000	0.96
1974	1,537,000	0.26	213,854,000	0.92
1975	1,544,000	0.46	215,973,000	0.99
1976	1,552,000	0.52	218,035,000	0.95
1977	1,555,000	0.19	220,239,000	1.01
1978	1,565,000	0.64	222,585,000	1.07
1979	1,574,000	0.58	225,055,000	1.11
1980	1,569,825	(0.27)	227,224,681	0.96
1981	1,577,000	0.46	229,466,000	0.99
1982	1,586,000	0.57	231,664,000	0.96
1983	1,597,000	0.69	233,792,000	0.92
1984	1,605,000	0.50	235,825,000	0.87
1985	1,606,000	0.06	237,924,000	0.89
1986	1,598,000	(0.50)	240,133,000	0.93
1987	1,594,000	(0.25)	242,289,000	0.90
1988	1,602,000	0.50	244,499,000	0.91
1989	1,611,000	0.56	246,819,000	0.95
1990	1,578,417	(2.02)	249,439,545	1.06
1991	1,591,000	0.80	252,124,000	1.08
1992	1,603,000	0.75	255,002,000	1.14
1993	1,613,000	0.62	257,753,000	1.08
1994	1,623,000	0.62	260,292,000	0.99
1995	1,636,000	0.80	262,761,000	0.95
1996	1,649,000	0.79	265,179,000	0.92
1997	1,657,000	0.49	267,636,000	0.93
1998	1,661,000	0.24	270,248,000	0.98
1999	1,666,000	0.30	272,691,000	0.90
2000	1,711,263	2.72	281,421,906	3.20
2001	1,713,000	0.10	284,797,000	1.20
2002	1,728,000	0.88	287,974,000	1.12
1940-2002		31.32 %		117.96 %

**SOURCE:** U.S. Census Bureau

State of Nebraska  
**COMPARATIVE UNEMPLOYMENT**  
**NEBRASKA AND UNITED STATES**  
1950 – 2002

YEAR	NEBRASKA			NEBRASKA UNEMPLOYMENT AS PERCENT OF LABOR FORCE	UNITED STATES UNEMPLOYMENT AS PERCENT OF LABOR FORCE
	TOTAL LABOR FORCE	TOTAL EMPLOYMENT	UNEMPLOYMENT		
1950	608,500	590,600	17,900	2.9%	5.2%
1960	630,200	613,000	17,200	2.7	5.5
1970(a)	631,700	612,300	19,400	3.1	4.9
1971	644,000	620,500	23,500	3.6	5.9
1972	666,300	643,800	22,500	3.4	5.6
1973	688,900	666,200	22,700	3.3	4.9
1974	719,500	688,600	30,900	4.3	5.6
1975	706,000	663,200	42,800	6.1	8.5
1976	717,100	680,900	36,200	5.0	7.7
1977(b)	750,000	722,000	28,000	3.7	7.1
1978	772,000	749,000	23,000	3.0	6.1
1979	771,000	747,000	24,000	3.1	5.8
1980	763,000	732,000	31,000	4.1	7.1
1981	777,000	745,000	32,000	4.1	7.6
1982	789,000	741,000	48,000	6.1	9.7
1983	791,000	746,000	45,000	5.7	9.6
1984	796,000	761,000	35,000	4.4	7.5
1985	806,000	762,000	44,000	5.5	7.2
1986	813,000	772,000	41,000	5.0	7.0
1987	812,000	772,000	40,000	4.9	6.2
1988	818,000	789,000	29,000	3.5	5.5
1989	812,000	787,000	25,000	3.1	5.3
1990	814,489	796,352	18,137	2.2	5.5
1991	835,206	812,074	23,132	2.8	6.7
1992	838,477	813,076	25,401	3.0	7.4
1993	858,400	835,581	22,819	2.7	6.8
1994	880,246	854,975	25,271	2.9	6.1
1995	898,113	874,357	23,756	2.6	5.6
1996	909,932	883,284	26,648	2.9	5.7
1997	906,256	882,615	23,641	2.6	5.3
1998(c)	916,440	891,709	24,731	2.7	4.5
1999	911,831	885,755	26,076	2.9	4.2
2000	924,298	896,761	27,537	3.0	4.0
2001	928,297	899,429	28,868	3.1	4.8
2002	954,013	920,662	33,351	3.5	5.8

(a) Data for 1970 and later are based on a Labor Force concept rather than the Work Force used previously, and are not strictly comparable with data for previous years.

(b) Data for 1977 and later are not comparable to prior years because of changes in the method of estimating the labor force.

(c) Numbers for 1998 to 2000 revised to March 2001 benchmark.

**SOURCE:** Nebraska Statistics — 1950-1983 Nebraska Statistical Handbook, Nebraska Department of Economic Development;  
1984-2002 Nebraska Department of Labor, Labor Market Information  
United States Unemployment – U.S. Census Bureau

State of Nebraska

**TOTAL PERSONAL AND PER CAPITA INCOME**  
**NEBRASKA, UNITED STATES AND THE PLAINS**  
 1993 – 2002

YEAR	NEBRASKA		UNITED STATES		PLAINS (a)	
	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME
1993	\$ 31,785	\$ 20,167	\$ 5,469,485	\$ 21,718	\$ 358,347	\$ 20,389
1994	33,029	21,168	5,741,050	22,581	380,442	21,558
1995	36,293	21,903	6,192,235	23,255	410,645	22,138
1996	39,618	23,670	6,538,103	24,270	439,948	23,520
1997	40,724	24,148	6,928,545	25,412	462,173	24,517
1998	43,340	25,541	7,418,754	26,893	493,711	26,001
1999	45,274	26,569	7,779,511	27,880	512,109	26,787
2000	47,599	27,781	8,398,871	29,760	547,878	28,430
2001	49,642	28,861	8,677,490	30,413	566,737	29,257
2002	51,086	29,544	8,891,093	30,832	582,958	29,942

(a) States included in the Plains are Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota.

**SOURCE:** U.S. Department of Commerce, Bureau of Economic Analysis.

State of Nebraska

**TEN LARGEST PRIVATE EMPLOYERS**  
 2002

NAME OF COMPANY	RANK
Tyson Foods Inc.	1
Walmart	2
First Data Corp.	3
Union Pacific Corp.	4
Alegent Health	5
First National of Nebraska Inc.	6
First of Omaha	7
Mutual of Omaha Ins. Co.	8
Hy-vee Food Stores	9
Burlington Northern	10

**SOURCE:** Nebraska Department of Economic Development, Research Division

State of Nebraska

# TRANSPORTATION RELATED STATISTICS

1993 – 2002

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>STATE HIGHWAY MILEAGE BY SURFACE TYPE (a)</b>										
RURAL										
Gravel	74	74	51	44	44	44	44	44	44	43
Asphalt, Bitumen	7,794	7,794	7,834	7,849	7,819	7,841	7,901	7,911	7,905	7,956
Concrete, Brick	1,453	1,449	1,445	1,455	1,487	1,453	1,391	1,375	1,374	1,313
TOTAL RURAL	9,321	9,317	9,330	9,348	9,350	9,338	9,336	9,330	9,323	9,312
MUNICIPAL										
Asphalt, Bitumen	342	347	353	351	344	350	351	350	353	354
Concrete, Brick	281	279	277	270	276	279	282	287	294	303
TOTAL MUNICIPAL	623	626	630	621	620	629	633	637	647	657
TOTAL RURAL AND MUNICIPAL	9,944	9,943	9,960	9,969	9,970	9,967	9,969	9,967	9,970	9,969
<b>MOTOR VEHICLE REGISTRATIONS (b)</b>										
Automobiles	940,667	955,138	965,100	977,252	981,372	1,011,801	1,038,583	1,043,491	1,057,498	1,076,415
Trucks										
Farm	149,403	148,664	148,181	148,051	149,471	148,433	149,034	148,421	149,116	148,456
Other	288,608	272,685	279,781	312,213	324,010	337,946	355,438	364,198	370,272	372,929
Motorcycles	18,882	19,084	18,696	18,094	18,441	19,344	20,612	22,758	25,010	26,931
All Other	301,757	264,965	281,287	330,929	341,058	349,547	369,682	381,986	388,482	394,198
TOTAL	1,699,317	1,660,536	1,693,045	1,786,539	1,814,352	1,867,071	1,933,349	1,960,854	1,990,378	2,018,929

**SOURCE:** (a) Nebraska Department of Roads.

(b) Nebraska Department of Motor Vehicles.

State of Nebraska

## NEBRASKA CASH RECEIPTS FROM FARM MARKETING AND GOVERNMENT PAYMENTS

1993 – 2002

(Dollars in Millions)

YEAR	CASH RECEIPTS FROM FARM MARKETINGS			GOVERNMENT PAYMENTS	TOTAL
	CROPS	LIVESTOCK AND LIVESTOCK PRODUCTS	TOTAL CROPS AND LIVESTOCK		
1993	3,018.3	5,853.0	8,871.3	806.3	9,677.6
1994	3,110.2	5,398.9	8,509.1	348.2	8,857.3
1995	3,837.0	5,146.1	8,983.1	507.3	9,490.4
1996	3,922.7	5,318.7	9,241.4	388.8	9,630.2
1997	4,298.6	5,507.2	9,805.8	454.6	10,260.4
1998	3,892.9	5,124.4	9,017.3	814.7	9,832.0
1999	2,962.6	5,426.3	8,388.9	1,411.9	9,800.8
2000	3,038.3	5,917.0	8,955.3	1,407.0	10,362.3
2001	3,125.8	6,095.2	9,221.0	1,297.6	10,518.6
2002	3,764.4	5,824.3	9,588.7	485.1	10,073.8

**SOURCE:** Economic Research Service, U.S. Department of Agriculture.

State of Nebraska

## NEBRASKA HOUSING UNITS AUTHORIZED FOR CONSTRUCTION

1993 – 2002

YEAR	HOUSING UNITS AUTHORIZED	PERCENT CHANGE
1993	7,751	14.91 %
1994	7,877	1.63
1995	8,164	3.64
1996	10,091	23.60
1997	9,880	(2.09)
1998	9,560	(3.24)
1999	8,696	(9.04)
2000	9,105	4.70
2001	8,198	(9.96)
2002	9,340	13.93

**SOURCE:** U.S. Dept. of Commerce, Bureau of the Census, Current Construction Reports, Housing Units Authorized by Building Permits

State of Nebraska

# **MOTOR FUELS NET TAXABLE GALLONS**

1993 – 2002

<b>YEAR</b>	<b>IMPORTING DEALERS</b>	<b>DIESEL FUELS</b>	<b>GASOHOL</b>	<b>TOTAL</b>	<b>PERCENT CHANGE</b>
1993	502,952,626	222,520,682	278,733,437	1,004,206,745	4.12 %
1994	525,261,561	228,490,205	230,802,731	984,554,497	(1.96)
1995	587,503,297	248,461,579	238,027,521	1,073,992,397	9.08
1996	636,785,443	255,896,982	183,903,344	1,076,585,769	0.24
1997	629,887,065	286,107,488	206,250,862	1,122,245,415	4.24
1998	661,061,910	316,724,293	189,956,805	1,167,743,008	4.05
1999	655,569,949	342,368,345	213,395,320	1,211,333,614	3.73
2000	575,163,734	343,393,346	299,174,495	1,217,731,575	0.53
2001	634,574,152	351,211,826	239,371,359	1,225,157,337	0.61
2002	568,121,161	357,685,438	326,135,113	1,251,941,712	2.19

**SOURCE:** Nebraska Department of Revenue Annual Report.

State of Nebraska

# **BANK DEMAND AND TIME DEPOSITS**

1993 – 2002

(Dollars in Millions)

<b>YEAR</b>	<b>DEMAND DEPOSITS</b>	<b>TIME DEPOSITS</b>	<b>TOTAL DEPOSITS</b>	<b>PERCENT CHANGE</b>
1993	3,221	17,655	\$ 20,876	6.43 %
1994	3,246	17,413	20,659	(1.04)
1995	3,506	19,051	22,557	9.19
1996	3,713	19,546	23,259	3.11
1997	3,293	18,313	21,606	(7.11)
1998	3,440	19,601	23,041	6.64
1999	3,297	19,705	23,002	(0.17)
2000	3,609	20,071	23,680	2.95
2001	4,041	20,626	24,667	4.17
2002	4,121	21,080	25,201	2.16

**NOTE:** This data represents balances at December 31.

**SOURCE:** Federal Deposit Insurance Corporation.

State of Nebraska

# **PUBLIC AND STATE OPERATED ENROLLMENT PREKINDERGARTEN – GRADE 12**

1993/94 – 2002/03

ACADEMIC YEAR	PRE KDG. AND KDG.	GRADES 1 – 3	GRADES 4 – 6	GRADES 7 – 9	GRADES 10 – 12	TOTAL ALL GRADES
1993 – 1994	24,600	65,258	67,374	68,270	58,957	284,459
1994 – 1995	25,304	64,171	67,092	69,186	60,680	286,433
1995 – 1996	25,779	64,010	66,957	68,796	62,842	288,384
1996 – 1997	25,599	64,800	66,058	69,937	65,023	291,417
1997 – 1998	25,543	65,014	64,721	70,452	66,389	292,119
1998 – 1999	25,740	64,664	64,256	69,991	66,485	291,136
1999 – 2000	25,219	63,118	64,409	69,099	66,386	288,231
2000 – 2001	25,216	60,896	64,942	67,392	66,576	285,022
2001 – 2002	25,931	60,645	64,003	68,566	66,251	285,396
2002 – 2003	26,639	60,673	63,120	69,359	65,751	285,542

**SOURCE:** Statistics and Facts About Nebraska Schools, Nebraska Department of Education.

State of Nebraska

# **PUBLIC HIGHER EDUCATION INSTITUTIONS TOTAL FALL HEADCOUNT ENROLLMENT**

1993 – 2002

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>COLLEGES AND UNIVERSITIES:</b>										
Chadron State College	3,021	3,189	3,063	2,905	2,931	2,809	2,768	2,686	2,804	2,712
Peru State College	1,601	1,665	1,754	1,774	1,807	1,695	1,664	1,698	1,629	1,687
Wayne State College	3,765	3,886	3,868	3,828	3,839	3,835	3,601	3,518	3,311	3,220
University of Nebraska										
Lincoln (1)	24,695	24,089	24,578	24,189	23,104	22,669	22,394	22,502	22,998	23,241
Omaha	15,899	15,051	14,691	14,474	13,710	13,274	13,264	13,479	14,143	14,451
Kearney	8,045	7,584	7,620	7,680	7,133	6,849	6,780	6,506	6,426	6,395
Medical Center	2,703	2,778	2,770	2,718	2,618	2,599	2,590	2,696	2,724	2,819
TOTAL COLLEGES AND UNIVERSITIES	<u>59,729</u>	<u>58,242</u>	<u>58,344</u>	<u>57,568</u>	<u>55,142</u>	<u>53,730</u>	<u>53,061</u>	<u>53,085</u>	<u>54,035</u>	<u>54,525</u>
<b>COMMUNITY COLLEGES</b>										
Central CC (2)	4,686	5,011	5,839	6,476	6,743	7,474	7,095	7,126	6,399	6,417
Metropolitan CC	10,978	10,686	10,666	10,759	11,213	11,583	11,658	11,534	11,704	12,253
Mid-Plains CC	3,337	2,934	2,528	2,925	2,694	2,487	2,518	2,607	2,816	3,020
Northeast CC	3,408	3,612	3,413	4,235	4,440	4,754	4,671	4,520	4,600	4,832
Southeast CC	5,777	6,647	6,240	7,041	6,951	7,122	7,351	7,396	7,935	8,912
Western CC	2,591	2,308	2,291	1,960	2,008	1,704	1,836	2,264	2,150	2,152
TOTAL COMMUNITY COLLEGES	<u>30,777</u>	<u>31,198</u>	<u>30,977</u>	<u>33,396</u>	<u>34,049</u>	<u>35,124</u>	<u>35,129</u>	<u>35,447</u>	<u>35,604</u>	<u>37,586</u>
TOTAL ALL INSTITUTIONS	<u>90,506</u>	<u>89,440</u>	<u>89,321</u>	<u>90,964</u>	<u>89,191</u>	<u>88,854</u>	<u>88,190</u>	<u>88,532</u>	<u>89,639</u>	<u>92,111</u>

**NOTE:** (1) University of Nebraska-Lincoln count includes NCTA-Curtis for all years.

(2) Central CC reporting under continuous enrollment practice abandoned in 1996. Enrollment numbers have been retroactively changed to the reporting practice consistent with that of the other Community Colleges.

**SOURCE:** Nebraska Coordinating Commission for Postsecondary Education

## State of Nebraska

# MISCELLANEOUS STATISTICS

June 30, 2003

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Date Entered Union	March 1, 1867 (37th State)
Form of Government	Legislative – Executive – Judicial
Land Area	77,358 square miles (16th largest in U.S.)
Elevation	840 to 5,424 feet above sea level
Capital	Lincoln
Largest City	Omaha
Origin of Name	From Oto Indian word "Nebrathka" meaning "flat water"
Nickname	Cornhusker State (from method of harvesting or "husking" corn by hand)
Recreation:	
Fish Hatcheries	9
State Parks	8
Historical Parks	10
Recreation and Wildlife Management Areas	320
State Police Protection:	
Number of Troops	6
Number of Patrolmen	476

**SOURCE:** Nebraska Blue Book, 2001-2002.

## Acknowledgments

The State Accounting Division of the Department of Administrative Services (DAS) prepared the Comprehensive Annual Financial Report. The following State Accounting Division staff were key members in the preparation of the report:

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Amy Wilson, CPA  
Patty Richard  
Lynda Roesler  
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<sup>1</sup> Inactive Permit.

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